

June Quarterly Report

Copper-cobalt discovery confirmed by drilling at Dolomite Ore Formation (DOF)

- First copper-cobalt mineralization of Central African Copperbelt type in Namibia.
- Significant results:
 - 8m @ 0.54% Cu + 1137ppm Co + 0.53% Zn from 60.4m, *including* 2.1m @ 1.0% Cu + 1012ppm Co from 60.4m (drill hole DOF02).
 - 4.65m @ 0.55% Cu + 1153ppm Co + 0.59% Zn from 106.65m, *including* 2.1m @ 0.84% Cu + 1129ppm Co from 106.65m (drill hole DOF01).
- True width estimated as similar to intersected width.
- Combined copper-cobalt-zinc mineralization is equivalent to +1% Cu grades.
- Potential for large-scale copper-cobalt horizon

Other drilling at Kaoko Project:

- Okanihova: Phase 1 of RC drilling completed
 - 8 RC holes completed for a total of 1537 m
 - Diamond tails added to extend two RC holes for a total of 297 m
 - Logging complete and assays pending
- Ombazu completed
 - 4 diamond holes completed for a total of 572.5 m
 - Logging complete and assays pending
- NOTZ diamond drilling in progress

Improved geological understanding and assay results received for Okanihova diamond drilling

- 4 holes drilled for 1066m in October-December 2014
- Mineralization modest but improved understanding of Okanihova lineament

Increased footprint at Kaoko Project

- Acquisition of Solarwind Investments increased Kaoko Project contiguous land-holding from 3,626 km² to 4,650 km².



FAST FACTS

Capital Structure

Shares on Issue: 38.9 million
Market Cap @ 3c \$1.2 million
Cash on hand \$0.4 million
(30 June 2015)

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

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ASX Code: KNE

ABN 36 155 396 893

Kaoko Project, Namibia

During the quarter, the Company agreed with joint venture partner First Quantum Minerals to drill four targets at Kunene Resources' Kaoko Project in Namibia. These targets were identified following extensive geochemical surveys, detailed structural analysis and a number of geophysical surveys – all of which received cutting-edge interpretation and modeling by experts from First Quantum.

Figure 1 shows the target areas drilled during May, June and July on Exclusive Prospecting Licences 4347 and 4346 (which are each discussed below). Other activities undertaken during the quarter included infill soil sampling, road building and community engagement.

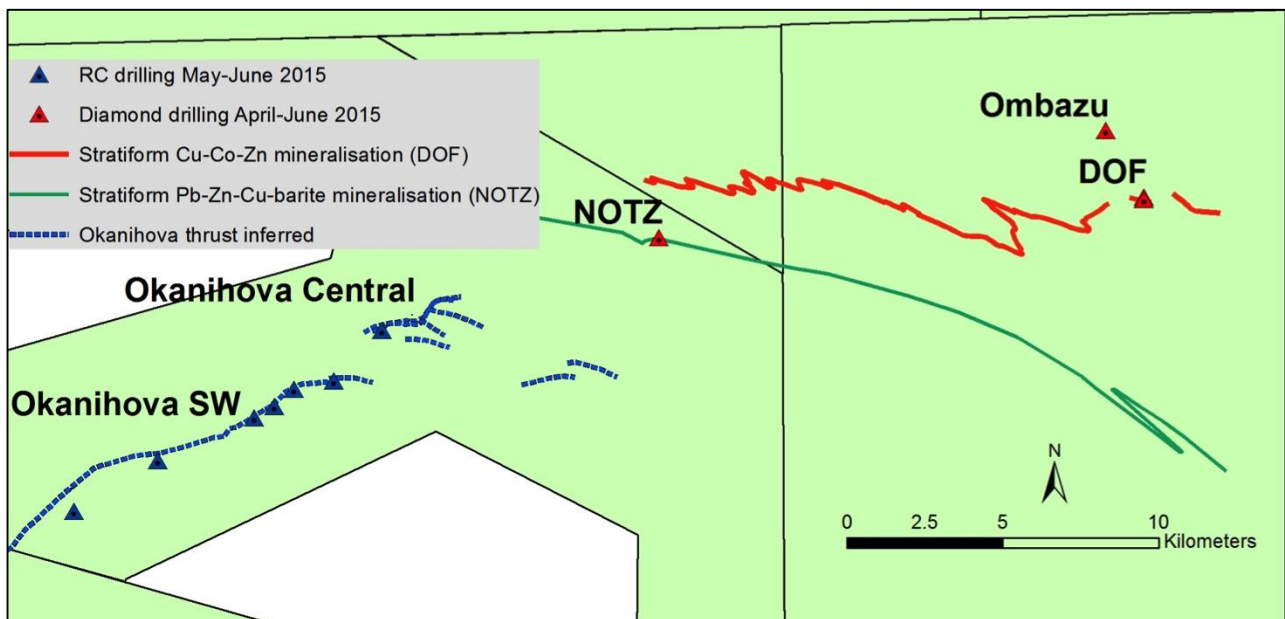


Figure 1: Kunene Resources' drilling programs at Kaoko Project, Namibia

First copper-cobalt discovery in Namibia confirmed by drilling at Kaoko Project

Mapping of the DOF copper-cobalt horizon by a team of geologists from Kunene Resources, First Quantum Minerals and Colorado School of Mines indicates a strike length of the DOF of at least 32km (see Figure 3). However, large parts of the central DOF project are covered by alluvium and calcrete. The Company's high resolution aeromagnetic survey shows large NW trending faults in this area which might have focused the mineralising fluid.

Two diamond holes were drilled under the joint venture with First Quantum Minerals to target the DOF horizon at about 100m depth, generating the first unweathered samples of the DOF copper-cobalt horizon (see Figure 2). The first drill hole, DOF01, was drilled close to a riverbed where some small single outcrops of DOF exist. Results are shown in Table 1 below and full JORC 2012 disclosures are contained in the Company's announcement dated 14 July 2015.

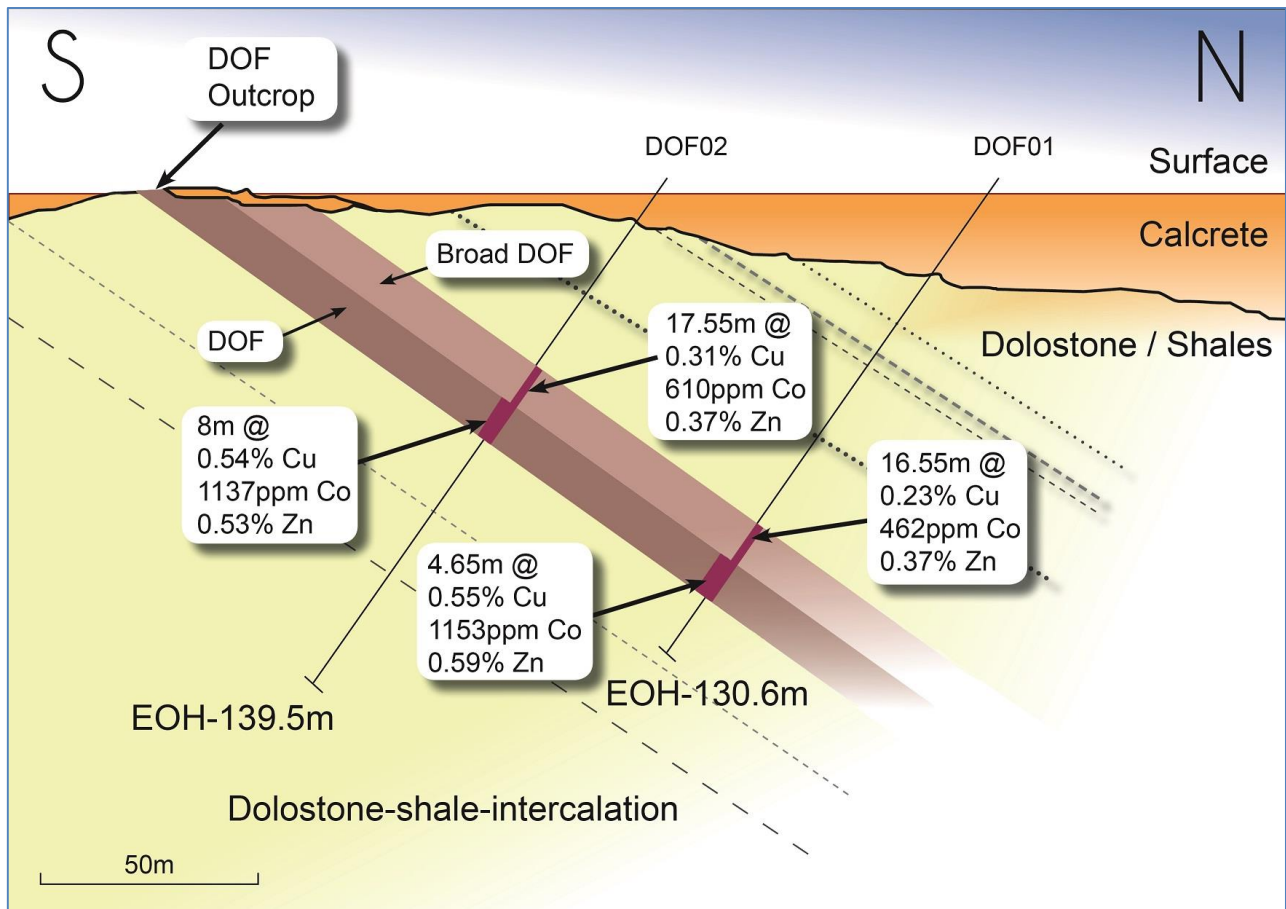


Figure 2: DOF drill results and interpreted structure

Borehole	Depth (m)	Northing	Easting	RL	Dip	Az	From (m)	To (m)	Width (m)	Cu	Co	Zn	Cu(e)*	
DOF01	139.5	8026727	365539	1257	55	200	94.6	111.3	16.55	0.23%	462ppm	0.37%	0.58%	
							<i>Incl</i>	106.65	111.3	4.65	0.55%	1153ppm	0.59%	1.32%
							<i>Incl</i>	106.65	108.75	2.1	0.84%	1129ppm	0.65%	1.62%
DOF02	130.6	8026650	365540	1255	55	200	50.65	68.8	17.55	0.31%	610ppm	0.37%	0.74%	
							<i>incl</i>	60.8	68.8	8	0.54%	1137ppm	0.53%	1.29%
							<i>Incl</i>	61.5	63.55	2.05	1.0%	1012ppm	0.38%	1.63%

* Cobalt and zinc values have been converted to copper equivalent values using assumed metal prices as follows: copper price of US\$6000 per tonne; cobalt price of US\$30,000 per tonne; zinc price of US\$2,000 per tonne. The converted cobalt and zinc values are then added to the actual copper values to give a total copper equivalent grade described as % Cu(e). For example, a cobalt value of 1153ppm is equivalent to a copper value of 5,765ppm or 0.58% Cu(e).

Table 1: Results of diamond boreholes (ICP analysis) – true width estimated to be same as drill width.

Assay results have shown pleasing results in terms of both grade and width (see Table 1). The results from both boreholes demonstrate the consistency of the mineralization. As shown in Figure 2, there appears to be a broader mineralized zone ("Broad DOF") of approximately 16m, with the 4-8m wide

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DOF in its footwall. A narrower 2m wide core within the DOF shows higher concentrations of copper, with cobalt and zinc grades consistent (in DOF01: 2.05m @ 1.0% Cu + 1012ppm Co + 0.38% Zn).

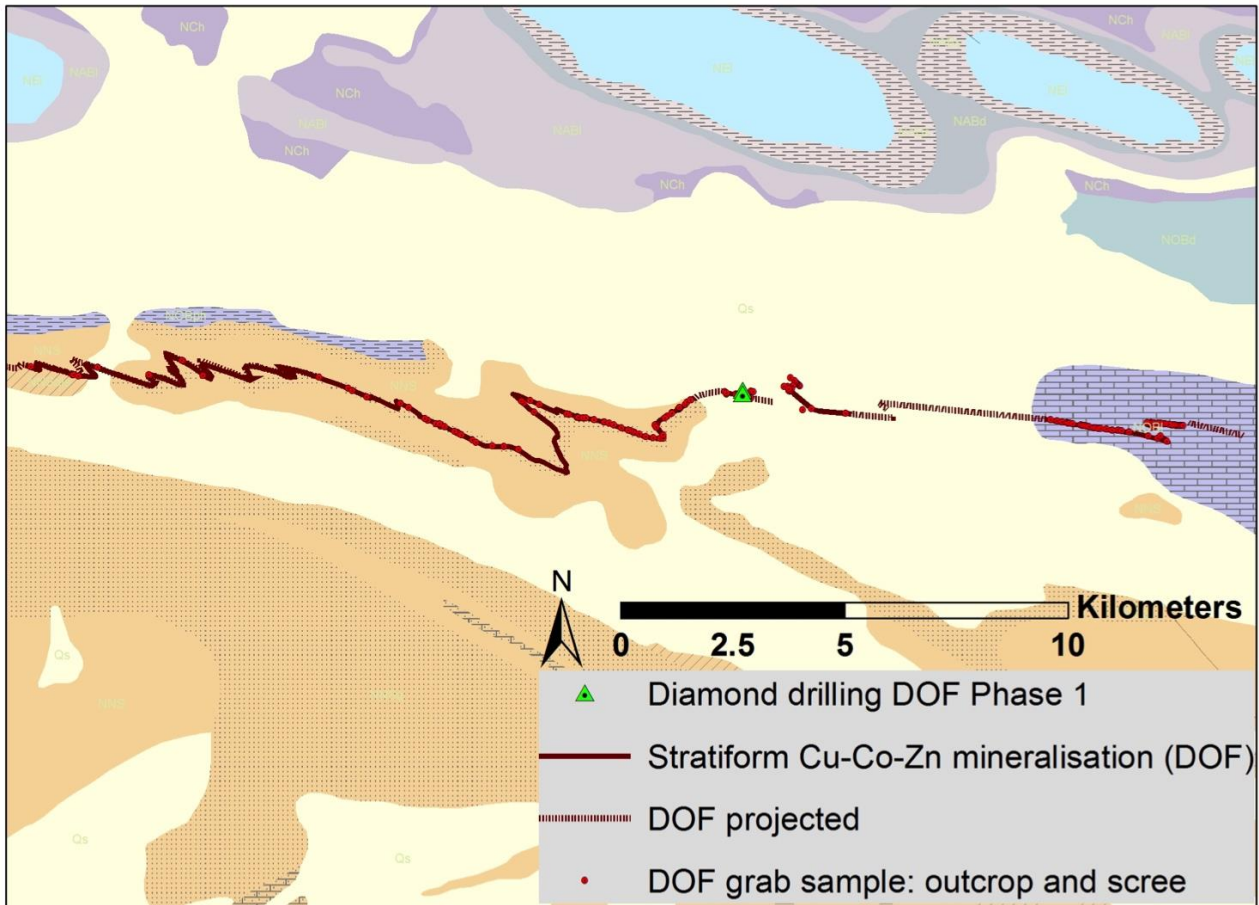


Figure 2: Extent of currently mapped and indicated DOF in the central Kaoko project area

The results obtained in DOF01 and DOF02 are broadly consistent with the copper and zinc values obtained in historical drilling by Rio Tinto in the 1990s (cobalt was not assayed in that program). In drill results located 2-5km from current drilling the unit was found to be up to 8.6m thick, grading 0.32% Cu & 0.64% Zn (Co not assayed). True width is not known and no records other than sketches are preserved.

Given the extent that the DOF horizon has been mapped on surface (more than 32km), the relative consistency of the mineralization and the simple geometry of the ore horizon, the DOF has potential to be a large-scale resource of copper and cobalt with zinc credits.

Through the work being undertaken by Colorado School of Mines, the Company will benefit from substantial high-end scientific analysis, including mineralogical testwork from which conclusions will be drawn on possible metallurgical beneficiation.

A follow up drill program is in planning to understand the mineralization control and identify areas with potentially higher grade mineralization. Although the DOF appears to be a relatively consistent horizon, there is potential for width and grade to increase on fold noses and other structural features.

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Other drilling at Kaoko Project

Okanihova

Phase 1 drilling at Okanihova was completed in July. The campaign consisted of 8 RC boreholes for a total of 1537 m. Diamond drilling (for a total of 297 m) was added to two boreholes to extend their depth. The program is designed to test:

- Four kilometer-wide clusters of remanent magnetic anomalies along 9 km strike length at the Okanihova SW target.
- Sandstone hosted target on the lineament that co-incides with a 2000 ppm Cu-in-soil anomaly and outcrops with visible chalcopyrite, malachite and azurite (borehole KHRC-03).
- One of the peak remanent magnetic anomalies at Okanihova Central, where new geophysical data and modelling has shown that previous diamond drilling missed the key target.

Logging is complete and assays are pending. An update will be provided once assay results are completed, following which further drilling at Okanihova will be considered. Access to the largest remanent magnetic anomaly at Okanihova East will be completed by end of July.

Ombazu target

The Ombazu target is a 15 km long distinct magnetic anomaly located about 800 m north of the copper-cobalt Dolomite Ore Formation (see Figure 1). The target area is completely covered and is interpreted to either be a magnetite banded iron formation of the lower Chuos formation (Grand Conglomerate) or pyrrhotite mineralization in the Chuos tillites, where faults might have acted as a fluid conduit mineralizing the Chuos tillites in a similar way to the Kamoa deposit in the DRC.

Four diamond boreholes were drilled during June and July for a total of 572.5 m. Logging is complete and assays are pending.

Nosib Ombombo Transition Zone (NOTZ)

Drilling of the NOTZ aims at two subparallel, potentially mineralised horizons (1) stratabound, carbonate-hosted Zn-Pb-Cu-barite mineralisation of the lowest carbonate horizon of the Ombombo Subgroup (MVT style), and (2) shale- and sandstone-hosted copper mineralisation of the uppermost Nosib Group. The MVT mineralisation was first identified by fieldwork in 2012. Mapping and soil sampling helped define its extent. An infill soil grid (200m x 100m), completed in March 2015, clearly delineates the strongly stratabound nature of the MVT-style sphalerite-galena-chalcocite-barite mineralisation over an extent of 22 km (see Figure 1).

Diamond drilling at NOTZ was commenced in mid-July and is under way.

Improved geological understanding and results of diamond drilling at Okanihova

During the quarter the Company announced the results of the diamond drilling conducted at Okanihova in late 2014 and the improved geological understanding that those results enabled.

On 31 October 2014 the Company announced the commencement of drilling at the Okanihova copper target to test Induced Polarisation (IP) anomalies identified in the central part of the Okanihova lineament. The program was wound up for the Christmas break after completion of four diamond holes for a total of 1,066m, testing anomalies at Okanihova Central and Okanihova SW1 (see Figure 1).

Detailed core logging was undertaken during January and February in conjunction with specialists from First Quantum Minerals.

Selected intersections from boreholes KHD05, KHD06, KHD07 and borehole KHDW01 (the camp water borehole extended to 343m) were identified from core logging, sampled and sent for ICP analysis. The results have demonstrated that the IP anomalies are largely caused by pyrite and graphite. Accordingly, further exploration will not focus on IP anomalies.

Full assay results are set out in Table 2 and full JORC 2012 disclosures are contained in the Company's announcement dated 12 May 2015. Although the intersections are not of economic interest, the results have added greatly to the geological understanding of the Okanihova lineament. Importantly, boreholes that intersected moderate anomalies returned encouraging copper mineralization. For example:

- Borehole KHD03 intersected a moderate (red) anomaly and returned 107m @ 0.27% Cu ⁽¹⁾
- Borehole KHD04 intersected a moderate (red) anomaly and returned 108m @ 0.27% Cu ⁽¹⁾
- Borehole KHD07 intersected a moderate (orange) anomaly and returned 76m @ 0.24% Cu ⁽²⁾
- Borehole KHDW01 intersected a moderate (orange) anomaly and returned 17m @ 0.26% Cu including 1m @ 2.1% Cu ⁽²⁾

Note (1): full results were announced to ASX on 6 March 2014.

Note (2): see Table 2 for full results.

Borehole	Depth (m)	Northing	Easting	RL	Dip	Az	From (m)	To (m)	Width (m)	Cu
KHD05	221.73	8020490	339500	960	60	225	100.9	102.9	2	0.56%
KHD06	251.76	8020648	340605	997	60	225	nsr			
KHD07	341.06	8022383	343476	1087	60	45	181.75	257.75	76	0.24%
<i>Incl</i>							196.75	203.75	7	0.48%
KHDW01	342.72	8022342	342,929	1048	70	21	98.5	115.5	17	0.26%
<i>incl</i>							114.5	115.5	1	2.13%

Table 2: Results of diamond boreholes (ICP analysis) – true width not known

Footprint increased at Kaoko Project

During the quarter Kunene Resources entered into a Share Sale Agreement (**Agreement**) with ASX-listed Discovery Resources Limited (**Discovery**) to acquire Discovery's Namibian subsidiary Solarwind Investments (Pty) Ltd (**Solarwind**). Solarwind is the holder of 5 exclusive prospecting licences (EPLs) in Namibia, including 3 EPLs which adjoin Kunene Resources' Kaoko Project. Figure 4 shows those EPLs in the context of the granted Kaoko Project EPLs and other applications that have been made by the company.

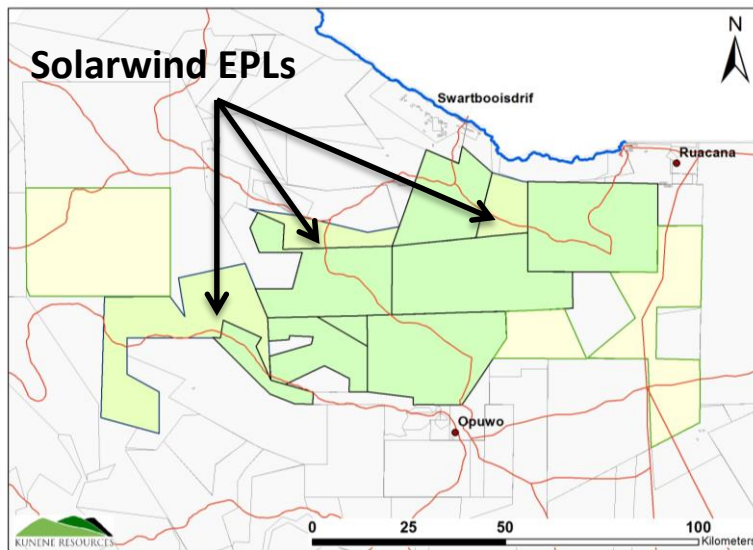


Figure 3 - Kaoko Project granted EPLs (green), EPL applications (yellow) and Solarwind EPLs (olive green)

Under the Agreement, Discovery agreed to sell 100% of its shareholding in Solarwind to a subsidiary of Kunene Resources for a consideration of A\$1.00. The Agreement provides that Solarwind will be purchased free of any debt and that Discovery will be indemnified for any liabilities incurred in respect of Solarwind or its EPLs. In July 2015, Discovery obtained all necessary shareholder approvals required by the Corporations Act and the ASX listing rules in relation to the sale of Solarwind, satisfying all conditions to the Agreement.

This acquisition is the culmination of a long period of co-operation between Discovery and Kunene Resources in respect of Solarwind's Kaoko EPLs. Under this co-operation Kunene Resources extended its own soil sampling campaigns onto the Solarwind EPLs, with results contributing to our regional geological understanding, and flew a hyperspectral survey over most of the Solarwind EPLs. Images of these regional hyperspectral and soil sampling programs have been previously announced on 31 January 2013 and 14 April 2015 respectively. Accordingly, there is a substantial package of geological data that Kunene Resources can immediately start to interpret and apply.

The 3 Solarwind EPLs shown on Figure 4 will increase Kunene Resources' contiguous land package from 362,645 hectares to ~465,000 hectares (not including new EPL applications). These licences will form part of the existing Kaoko Project joint venture with First Quantum Minerals. Solarwind has two other EPLs in the centre and south of Namibia. The Company will conduct an evaluation of the prospects of those EPLs before deciding whether to relinquish, maintain or joint venture those licences.

Alcoutim exploration licence in Iberian Pyrite Belt, Portugal

Work on the Alcoutim project during the quarter concentrated on community meetings to obtain permission for access, drilling and water abstraction for the remaining drill targets.

Business development

The Company is currently reviewing a number of prospecting licences in Namibia and elsewhere to identify prospective opportunities in copper, base metals and precious metals. Although the preference is to identify licences that can be incorporated into the joint venture with First Quantum

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Minerals, the Company is permitted under its joint venture arrangements to independently pursue projects.

KNE cash position

The Company's cash position is \$0.42 m (as at 30 June 2015). All project related expenses during the quarter were met by joint venture funding.

Change of share registry

During the quarter the Company changed its share registry to Automic Registry Services.

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.

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:

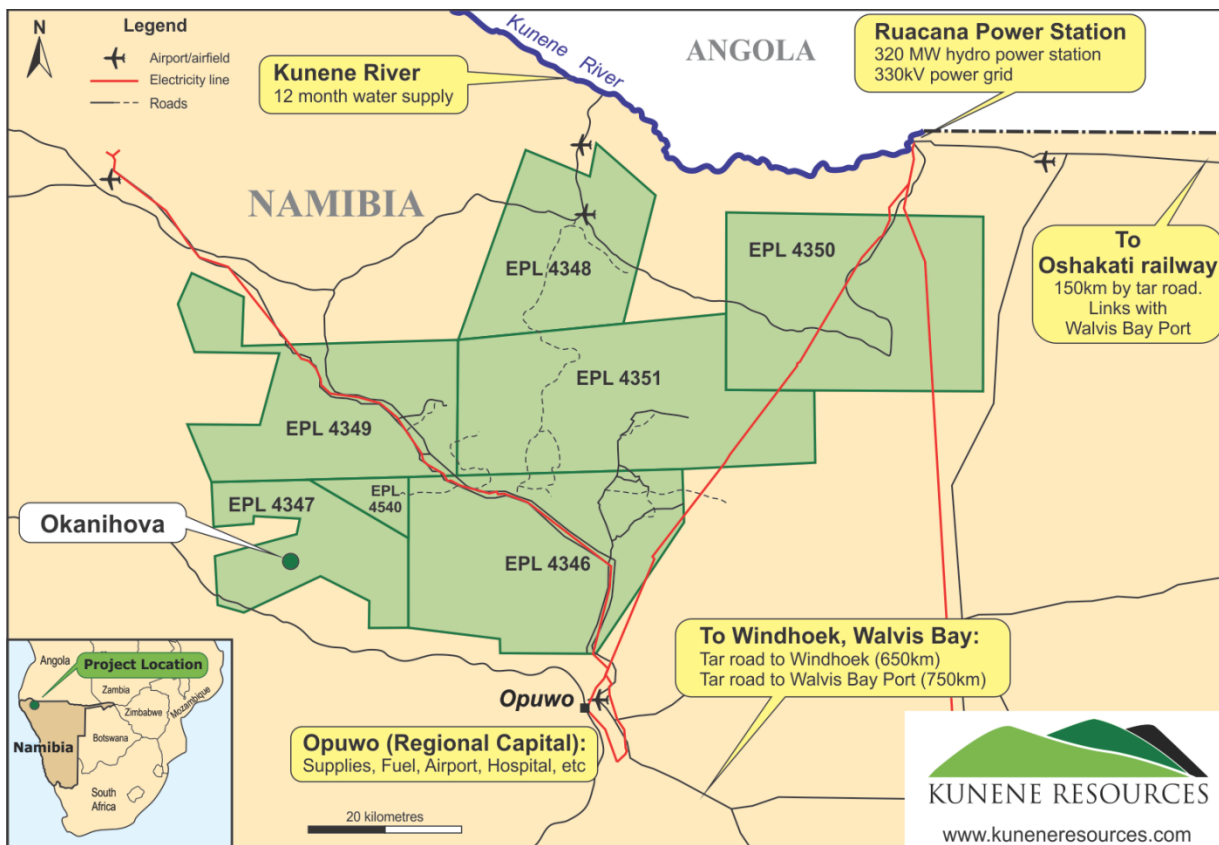
- ✓ 95% owned by Kunene Resources (5% owned by local partner, The Namibian Former Robben Island Political Prisoners Trust)
- ✓ seven exploration licences, total area of 3,478km²
- ✓ emerging minerals province with similar geology to the Central African Copperbelt
- ✓ prospective for copper and other 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.



Annexure 1: Tenement summary

Kaoko Project, Namibia

Tenement	Status	Interest at beginning of quarter (%)	Interests relinquished, reduced or lapsed (%)	Interests acquired or increased (%)	Interest at end of quarter (%)
EPL 4346	Granted	95	0	0	95
EPL 4347	Granted	95	0	0	95
EPL 4348	Granted	95	0	0	95
EPL 4349	Granted	95	0	0	95
EPL 4350	Granted	95	0	0	95
EPL 4351	Granted	95	0	0	95
EPL 4540	Granted	95	0	0	95
EPL 5601	Granted	95	0	0	95

Note: EPLs held by Solarwind Investments (Pty) Ltd are not included as the acquisition completed after the end of the quarter.

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