



24 July 2013

KUPANG JV ESTABLISHES MARKET WITH FIRST 15,000T/MONTH SUPPLY AGREEMENT

Key Highlights:

- The Kupang Joint Venture has secured an agreement for the supply of 15,000 tonnes per month of high grade raw Manganese ore
- The price agreed for the raw high grade Manganese ore is in line with expectations and the ore quality is consistent with producing a high grade Mn export product.
- The Kupang JV expects delivery of ore to commence this week allowing production of export quality high grade Manganese lump.
- Kupang secures \$2 million placement at \$0.09 per share

Australian resources company Kupang Resources Limited (ASX: KPR) (**KPR** or **Company**) is pleased to announce that the Kupang Joint Venture (**Kupang JV**) (in which the Company holds a 55% interest) has secured an agreement for the supply of raw manganese ore for delivery to its plant near Kupang (**Mn Supply Agreement**), the major town on the Island of West Timor. In addition, the Company has secured commitments for a placement of 22,222,222 shares at 9 cents each to raise approximately \$2 million (**Placement**) (**Placement Shares**).

Supply Agreement

The Mn Supply Agreement ensures the delivery of 15,000 tonnes per month of high grade raw Manganese ore to the recently commissioned plant at Bolo. The plant is located in the new industrial area adjacent to the new 30MW Kupang power station and 8km from the deep water port of Tenau, the main port of West Timor (Kupang).

The agreed price for the raw high grade Manganese ore is in line with expectations and the ore quality is consistent with producing a high grade Mn export product. The agreement is supplemental to the heads of agreement between the Kupang JV and the Manganese Society of Kupang (**Mn Society**) for the supply 30,000 tonnes of ore per month (refer to announcement dated 7 January 2013).

It is anticipated that delivery of the ore the subject of the Mn Supply Agreement will commence this week allowing the processing and blending of the product to produce a high grade lump smelter feed product highly sought after as a feed stock for global

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Ferro and Silico Manganese smelters. It is management's expectation that shipments will commence from the Tenau port this quarter. The Kupang JV's goal will be to maximise the joint venture's capacity at the port up to a possible 80,000 tonnes per month (refer to ASX announcement dated 20 February 2013).

Supply of the ore will establish a bench mark to guide the remaining (approximately 50) members of the Mn Society in establishing similar agreements with the Kupang JV for stockpiles held since export bans on Manganese ore were put in place several years ago.

As announced on 14 March 2013, the Kupang JV has established a processing and export facility capable of upgrading the supplied ore to a concentrate for sale to the Manganese smelting industry. Execution of the Mn Supply Agreement and establishment of a supply price provides the Kupang JV with confidence to proceed with further project development in Kupang. Once production levels are established through similar supply lines the full benefit can be quantified.

Commenting on the Mn Supply Agreement Executive Director Mr Tony Sage said "This agreement is the first in a number of such agreements the Kupang JV anticipates securing in line with the Manganese Society of Kupang's previous commitments and establishes a price consistent with Company expectations."

Placement

The Placement will occur in two tranches. Approximately 6,666,666 of the Placement Shares will be issued using the Company's remaining capacity under Listing Rule 7.1 and 7.1A (**Tranche 1**). The Tranche 1 Placement Shares will be issued to the Company's major shareholder, Cape Lambert Resources Limited (ASX: CFE) and a Singaporean based investment fund. The balance of the Placement Shares will be issued following receipt of shareholder approval to be sought at a general meeting of Kupang shareholders to be held as soon as possible.

The funds raised pursuant to the Placement will be applied towards further advancement of the Kupang Project, supply and production costs and for general working capital purposes.

The Placement Shares will be issued to sophisticated and institutional investors. In consideration for services provided by the broker to the Placement, the Company will pay 6% of the gross amount raised.

The Company is in the process of finalising documents for the shareholder meeting which will be despatched in due course.

The Company requests that its current trading halt ends with effect from commencement of normal trading on Wednesday, 24 July 2013.

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FOR FURTHER INFORMATION, PLEASE CONTACT:

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About Kupang Resources

The Kupang Project is located in (Kupang) West Timor, in the Indonesian province of Nusa Tenggara Timur (NTT), a region well known globally as a source of high-grade Manganese ore. The project is located 13km by road from the planned processing area. The process area is only 3km by road from the port facilities of Kupang, where it is proposed ore from the Kupang Project will be shipped (refer to Figure 1). Due to the close proximity of the project to this infrastructure, the project has a low start-up cost.

The geological setting for the manganese mineralisation is found at the base of the tertiary limestones. The regional geological setting is a suitable host for extensive bedded manganese deposits.

The Kupang Project Joint Venture has established excellent working relationships with the local communities, businesses and Government in Indonesia. As a sign of its commitment and willingness to engage with the local stakeholders, the Joint Venture has appointed prominent local, Mr Refafi Gah, to its Management Committee. Mr Refafi Gah is the current Secretary General of the Association of Mine/DPD East Nusa Tenggara Province 2011-2013 and a former professor at the Kupang University. He also is the chairperson of the Council Regional Unity Party (PPD) East Nusa Tenggara. He brings to the project a wealth of local experience and expertise.

The Board believes the Kupang Project has excellent scope for both current and future production due to:

- Excellent relationships with Government and local villages
- Suitable road infrastructure
- Abundant high grade manganese
- Existing commercial deep water port
- Large stockpile areas available at port
- Suitable processing area
- Available workforce
- No complex plant requirement

The development of the Kupang Project will provide a number of socio-economic benefits to the Kupang area and wider community, including:

- Significant levels of ongoing direct employment
- Employment of contractors and sub-contractors
- Improved local infrastructures
- Staff training and education programs
- Use of local professionals

Social development funding to be spent in the area



Figure 1: Location of Kupang Project and Local Infrastructure