



7 January 2013

AGREEMENT FOR SUPPLY OF HIGH GRADE MANGANESE AND ACQUISITION OF PROCESS PLANT

Key Highlights:

- Letter of intent entered into for potential supply (on a best endeavours basis) of an estimated 30,000 tonnes per month of high grade locally mined manganese ore
- Process plant acquired capable of producing 30,000 tonnes of High Grade Manganese Lump product per month for direct smelter feed
- Targeting grades 85-95% Manganese Oxide (Mn >50%) with minimal impurities, therefore driving the highest potential value

Australian resources company Kupang Resources Limited (ASX: KPR) (**Kupang or Company**) is pleased to announce that the Kupang Joint Venture has entered into a letter of intent with the Manganese Society of Kupang (**Mn Society**) in relation to the supply of high grade manganese ore to its Kupang project in West Timor, Indonesia (**Kupang Project**) (**Supply Agreement**).

The Kupang Joint Venture has also completed the acquisition of a process plant (**Processing Plant**) with the capacity to produce up to 30,000 tonnes per month of Manganese lump product suitable for direct feed into Ferro- or Silico-Manganese smelters per month. The Processing Plant is now mobilised and located at the Kupang Project (in which the Company has a 55% interest) and will be used to process the high grade ore acquired pursuant to the Supply Agreement. The Processing Plant was acquired for approximately AUD\$1,500,000.

The Mn Society represents the interests of local manganese miners in Kupang and is currently comprised of 52 members. Pursuant to the Supply Agreement, the Mn Society will, on a best endeavours basis, undertake to procure the supply of a minimum of 30,000 tonnes of raw high grade ore per month to the Kupang Joint Venture. It is anticipated that the Mn Society will commence supply of raw grade ore to the Joint Venture in January 2013. The ore will be acquired by the Kupang Joint Venture for fair consideration. Detailed specification of the ore and other governing terms and conditions are to be set out in a formal agreement to be entered between the parties.

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As previously announced, representative sampling analysis results of the local product show impressive grade in excess of 85% Manganese oxide (**MnO₂**). These previously announced raw sampled grades indicated the following grades:

Manganese 55% (MnO₂ 86%) Iron (Fe) 0.9% Alumina (Al₂O₃) 1.4% Phosphorus (P) 0.07%.

It is planned to collect a further sample, split it and have duplicate analyses conducted at a specialist metallurgical laboratory in Perth, Western Australia and at the current laboratory in Jakarta to provide confidence in the skills and experience in the Indonesian systems and processes.

The manganese ore to be supplied by the Mn Society will be processed through the plant to size and upgrade the ore to enable a product of consistent grade which is capable of being bulk direct shipped to the markets. The key for customers of MnO₂ products is low variability of both the Manganese content and the percentage of accompanying deleterious elements including Iron (**Fe**), Aluminium (**Al**), Silica (**Si**) and Phosphorus (**P**). One of the key features of the raw ore to be supplied to the Kupang Joint Venture by the Mn Society is its very high Manganese content, combined with low levels of value eroding elements Fe, Al, Si and P.

To measure the value of the product being purchased pursuant to the Supply Agreement, systems have been acquired and mobilised to the Kupang Project site to accurately analyse, weigh and measure material delivered to and processed through the Process Plant. The ancillary equipment required to manage the material handling stream includes an analytical laboratory and a mechanism to accurately weigh the delivered product.

The execution of the Supply Agreement and acquisition of the Processing Plant (and ancillary equipment) provides the Joint Venture with the capacity to produce a high end Manganese product on site. This supply and processing ability together with the land to be acquired by the Company (refer to announcement dated 19 November 2012) which includes a granted production license, positions the Kupang Joint Venture in an excellent position to commence production and export of manganese in the near term.

Commenting on the Supply Agreement and Processing Plant Executive Director Mr Tony Sage said "Kupang Resources is pleased to announce the achievement of these major milestones by the Joint Venture which strongly indicates the potential of the Kupang Project to deliver production in the near term is now realisable. We are now focussing on finalising an agreement to export the ore from Kupang."

END

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

Competent Persons Statement

The data in this announcement that relates to Exploration Results, Resources and Reserves is based on information reviewed and evaluated by Mr. Brett Gunter who is a member of The Australian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr. Gunter is a fulltime employee of PT GMT Indonesia and he consents to the results as they appear in this release.