



# KORAB RESOURCES LIMITED

KORAB HOUSE

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31 January 2018

## QUARTERLY ACTIVITIES REPORT TO 31 DECEMBER 2017

### KEY POINTS

- Continued work on additional offtakes and sales of magnesium carbonate rock from Winchester
- Signed HoA for exporting 500,000tpa of Winchester magnesite
- Commenced update of the Winchester magnesite pre-feasibility study
- Successfully completed 1<sup>st</sup> stage of the cobalt, copper, gold, zinc, lead, and silver drilling program at Batchelor
- Discovered scandium at Batchelor
- Confirmed presence of cobalt, scandium and manganese mineralisation at Batchelor
- Cleared another hurdle to commercialisation of phosphate rock from Geolsec quarry
- Acquired direct 100% stake in 9 prospective Pilbara projects<sup>1</sup>

This is a quarterly activities report for the period from 1 October 2017 to 31 December 2017 by Korab Resources Ltd ("Korab", or "Company") (ASX: KOR) and its subsidiaries ("Korab Group").

### OPERATIONS – EXPLORATION, EVALUATION AND DEVELOPMENT Winchester Magnesium Carbonate Project (Northern Territory)

During the quarter Korab Group continued the work on the Winchester project. Magnesium carbonate market continued to strengthen, with prices for raw magnesite and for magnesia products climbing through the December quarter. Closures of magnesite mines and magnesia plants in China have led to a significant shortage of raw and intermediate materials and their prices continue to appreciate. Based on the information emerging from China's main producing regions, this situation will probably continue into the first half of 2019.

On 8 November 2017 Korab reported that it has executed non-binding Heads of Agreement (HoA) with the operator and manager of Darwin Port. The HoA envisages exporting of 500,000tpa of magnesite rock through Darwin Port East Arm Wharf and includes sub-leasing of the land, access to various port facilities, and use of loaders, and other equipment. HoA provides the basis for the final port agreement which will allow for exporting the magnesium carbonate rock through Darwin. Korab's Chairman Mr. Andrej Karpinski commented: "This is a major milestone in the process of commercialisation of the Winchester magnesium carbonate deposit. We look forward to successfully taking this project to production and gaining the full benefit of Winchester's superior profit potential for Korab, and our shareholders."

On 17 November 2017 Korab reported that it has commenced an update of the Winchester pre-feasibility study (PFS) to assess how (and if) its results would be affected by:

1. Recent sharp increase in global magnesium carbonate prices

<sup>1</sup> See Operations - Corporate

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Capital: \$8.61 Mln

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BERLIN: C6S.BE

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2. Data received from end users, shipping agents, Port of Darwin, and other parties
3. Potential changes to open pit contours
4. Potential changes to mine layout

As noted in this report, Korab has been in discussion with several end users of magnesium carbonate rock regarding long term sales and offtakes. These discussions have provided Korab with significant amount of new and useful information. Korab has also been in discussions with shipping agents, Port of Darwin, and other parties, including mining engineers, quarry operators, relevant regulatory bodies, and other stakeholders. Korab has also been working on evaluating various options for the quarry layout, pit design, and other aspects of the operation with the view to maximising the early income stream whilst at the same time reducing capital/ start-up costs (CAPEX), and working capital requirements. Consequently, and also as part of the "notice-of-intent-to-mine" progression, Korab has commenced update of the Winchester PFS to assess what impact (if any) potential changes to the above parameters may have on the economics of Winchester quarry, its EBITDA, NPV, IRR, CAPEX, and working capital needs.

The PFS update is nearing completion and results will be reported to the market when report is finalised (most likely next week).

Korab and its advisors continued to work with Chinese counterparts on the funding documentation for the development of the magnesium carbonate quarry at Winchester. The funding is to be provided by way of an equity injection into the (currently) wholly owned Korab's subsidiary AusMag Pty Ltd. Given the improved economics occurring in the magnesite and magnesium oxide space Korab requested and other parties agreed to await completion of the Winchester PFS update with the view to utilising the results of the updated PFS as amended basis for the proposed funding and operational structure.

Korab Group has also continued further discussion with several end users of magnesium carbonate rock regarding long term sales and offtakes. These discussions, whilst incomplete, are progressing well.

Market for magnesium carbonate has been growing at a strong historical trend rate over several decades with the trend pointing to yet higher consumption over coming years. The main uses for magnesite are in production of various types of magnesium oxides. Magnesium carbonate is also used to produce magnesium metal which is the lightest of all metals, being about two-thirds lighter than aluminium but stronger than steel. Magnesium is non-toxic, non-magnetic, has high-impact strength, and is resistant to denting.

The main sectors where magnesium oxide is used include: refractory bricks which are used to line steel and iron furnaces; production of flame retardants; production of fire resistant and moisture resistant building materials like mag-wall, MgO board and mag-cement; production of magnesium alloys used extensively in cars, airplanes, tanks, APC-s and other defence equipment; hydrometallurgy (**primarily for nickel and cobalt production**); water purification and soil treatment and feedstock. Experts expect that the market for magnesium carbonate will continue to expand due to the growth in all these sectors.

However the potential game changer is the recent development of magnesium-ion batteries which have 8 to 12 times greater capacity than lithium-ion batteries and can be charged in as little as 36 minutes. Magnesium-ion battery's charge/discharge efficiency is 5 times higher than a lithium-ion battery. Another advantage of magnesium-ion batteries is their ability to perform at temperatures as low as -30°C and as high as +55°C whereas lithium-ion batteries cease to function at around -15°C. Additional benefit of magnesium-ion batteries is that they do not use graphite and consequently are not dependant on supply of this relatively expensive material.

Korab's Executive Chairman Mr. Andrej Karpinski has been invited to speak at the Lithium and Battery Metals Conference 2017 to be held at Crown Resort in Perth on 21-22 March 2018.

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Mr. Karpinski's presentation will address several themes including:

1. New generation magnesium-ion batteries (which are superior to lithium-ion batteries in terms of performance, storage capacity, power density, and durability);
2. Development progress of the Korab's Winchester magnesium project; and
3. Cobalt/nickel exploration at Korab's Batchelor project in the Northern Territory.

The primary focus will be on magnesium-ion batteries.

For details of the Winchester project please refer to Appendix B.

### Batchelor/Green Alligator Polymetallic Project (Northern Territory)

During the quarter Korab successfully completed first stage of the drilling program at Batchelor, targeting cobalt/copper/gold and zinc/lead/silver mineralisation. On 31 October 2017, Korab released encouraging preliminary results of the assays completed on the 6 meter composite samples from 10 reverse circulation holes drilled at 2 of the 24 prospects which Korab plans to test. Anomalous intervals of silver, lead, gold, copper, cobalt, and antimony were intercepted at prospect P16221. Anomalous intervals of gold, cobalt, and copper were intercepted at prospect P225. Intervals of copper and cobalt anomalism were wider than anticipated or predicted by historical exploration data.

On 28 November 2017, Korab reported discovery of anomalous scandium, and manganese in 8 of the 10 RC holes drilled at Batchelor. Elevated scandium was present over wide intervals. Drill hole KORC17-023 averaged 39g/t scandium over 90 meters interval from 6 meters depth and drill hole KORC17-022 averaged 39g/t scandium over 54 meters interval from 6m depth. Scandium was accompanied by elevated manganese. Drill hole KORC17-015 averaged 1.65% manganese over 12 meters from 48 meters including 2.47% manganese over 6 meters from 48 meters depth. Drill hole KORC17-018 averaged 1.58% manganese over 12 meters from 30 meters depth including 2.46% manganese over 6 meters from 36 meters depth. These drill holes had scandium and manganese grades comparable to the average scandium (33.4g/t Sc) and manganese (0.55% Mn) grades estimated at Ardea Resources' (ASX: ARL) Black Range cobalt-nickel deposit. Korab's Chairman Andrej Karpinski commented: "No explorer has targeted scandium or manganese at Batchelor in the past so from this perspective the area is largely unexplored."

On 19 December 2017, and following the end of the quarter on 4 January 2018, Korab reported that assays from the single meter samples from Batchelor drilling confirmed high grade cobalt, as well as silver, scandium, manganese, and lead at Batchelor. Assay results also confirmed presence of gold, copper, nickel, platinum, and palladium as accessory metals. Drilled grades, with grades up to 1490 ppm Co (0.15%), 0.5g.t Au and 0.3% Cu confirmed historical cobalt grades reported on 10 February 2017 ("Cobalt at Korab's Batchelor project & drilling program"). Multiple holes reported cobalt, copper, scandium, gold, and manganese mineralisation. Scandium intercepts coincided with titanium. Cobalt intercepts coincided primarily with gold, copper, platinum and palladium. Of special significance were platinum and palladium anomalies coinciding with gold, copper, and nickel. Of further interest was reported high grade silver (120g/t Ag), together with lead (3.32% Pb), gold, platinum, and palladium in another drillhole. Manganese above 1% Mn was reported in multiple drillholes, ranging as high as 5.25% Mn.

During the quarter, Korab also continued other exploration of the Batchelor and Green Alligator Projects targeting lithium, gold, base metals, and other minerals.

### Geolsec Rock Phosphate Project (Northern Territory)

On 25 October 2017, Korab announced that it has cleared another hurdle to commercialisation of phosphate rock. Korab Group received a request to provide sample of phosphate rock from Geolsec Project for final grindability tests following a long term test-work program completed to date by a major chemical fertiliser producer (CFP). Following on the positive results of multiple tests run by this CFP on the rock already supplied (including most recently - the reactivity tests), Korab has provided



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the final sample of the rock in granule size in which this rock is to be ultimately supplied on a commercial basis and CFP is now conducting the grindability tests. Korab has been advised by CFP that the results of these grindability tests are expected to be available some time during the current quarter. Korab has been engaged with this CFP since early 2017 (as disclosed in Korab's Quarterly reports). This included supplying multiple samples for a series of tests and evaluations and conducting multiple meetings to discuss the operational aspects of the project including quarrying, shipping, logistics, costing, etc. Korab remains very positive about the progress of these tests and negotiations and their potential to translate into a steady cash flow from the Geolsec phosphate rock quarry. Once the final grindability test is completed (and subject to its positive results), it is envisaged that Korab and CFP will aim to reach a decision regarding a commercial agreement to supply phosphate rock for processing into fertilisers.

Geolsec phos rock is located on a granted mining lease with direct access to Darwin port via sealed roads. Local infrastructure includes power, gas pipeline, motel accommodation, rail, and airport. Due to Geolsec's proximity to Winchester magnesium carbonate deposit there is a potential to achieve significant operating cost savings by sharing the equipment, quarry management, and labour.

During the quarter Korab has received a proposal from a third party seeking to lease the Geolsec project to quarry the phosphate rock for export. These discussions are at an early stage.

#### Bobrikovo Gold and Silver Project (Ukraine)

During and following the end of the quarter, notwithstanding the uncertain situation in the Donbas region, Korab Group continued engagement with various stakeholders, contractors, advisers, and potential partners/investors with the view to re-commencing operations at this project. In addition to that, Korab has been in discussions with several parties expressing interest in providing funding for the project and/or acquiring either a part, or the whole of the project.

#### Ashburton Downs/Mt. Elephant Project (Western Australia)

During and following the end of the quarter, Korab continued exploration of the Mt. Elephant project focusing primarily on its gold and base metals potential.

### OPERATIONS – CORPORATE

On 18 October 2017, and 31 October 2017 Korab announced that it has applied for 9 Pilbara exploration licenses. Pilbara portfolio consists of exploration licence applications E47/3902, E47/3903, E45/5047, E46/1212, E46/1211, E47/3866, E47/3863, E47/3864, and E47/3865 covering approximately 315 square kilometres, and providing Korab with a good entry point into the Pilbara. Korab's targets for exploration within these 9 projects are gold (including Witwatersrand-style conglomerate gold), lithium-tin-tantalum pegmatites, and copper.

On 10 November 2017 Korab announced issue of 8,642,712 ordinary shares to exempt investors at 2.8 cents each for working capital, exploration, and debt reduction.

#### CONTACT:

Andrej K. Karpinski, Executive Chairman - Australia: (08) 9474 6166, International: +61 8 9474 6166

#### ABOUT KORAB RESOURCES

Korab Resources Ltd is an international mining and exploration company with operations in Australia and Europe. Korab's projects include Winchester magnesium carbonate deposit and Geolsec phosphate rock deposit at Batchelor in the Northern Territory of Australia as well as a gold and silver deposit at Bobrikovo in eastern Ukraine. The Company also explores for gold and copper at Ashburton Downs/Mt. Elephant in Western Australia, and for gold, copper, lithium, tin, and tantalum at Karratha, and Marble Bar/Nullagine in Western Australia. Korab also explores for gold, cobalt,



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silver, lead, zinc, copper, nickel, lithium, and tin at Batchelor and Green Alligator in the Northern Territory. More information about Korab's projects can be sourced from Korab's website at [www.korab.com.au](http://www.korab.com.au). Korab's shares are traded on Australian Securities Exchange (ASX) and on the Berlin Stock Exchange (Berliner Börse) through Equiduct electronic trading platform.

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## APPENDIX A

### INTERESTS IN MINING TENEMENTS AS OF 31 DECEMBER 2017

Project/Tenements	Location	Held at end of quarter	Acquired during quarter	Disposed during quarter
Batchelor/Green Alligator Project EL29550 MLN512 MLN513 MLN514 MLN515 MLN542 MLN543 EL31341	Northern Territory, Australia	100% 100% 100% 100% 100% 100% 100% 100%		
Winchester Project ML30587	Northern Territory	100%		
Geolsec Project ML27362	Northern Territory	100%		
Pilbara Projects E47/3902 E47/3903 E45/5047 E46/1212 E46/1211 E47/3866 E47/3863 E47/3864 E47/3865	Western Australia	100% 100% 100% 100% 100% 100% 100% 100% 100%	100% 100% 100% 100% 100% 100% 100% 100%	
Bobrikovo Project <sup>2</sup>  BKB169 4420381100646545 1589	Ukraine Donbas	  100% 100% 100%		
Ashburton Downs Project:  E08/2115 E08/2307 E52/2724 E08/2756 E08/2757	Western Australia, Australia	  100% 100% 100% 100%		
<b>Farm-in agreements/Tenements</b>	<b>Location</b>	<b>Held at end of quarter</b>	<b>Acquired during quarter</b>	<b>Disposed during quarter</b>
none				
<b>Farm-out agreements/Tenements</b>	<b>Location</b>	<b>Held at end of quarter</b>	<b>Acquired during quarter</b>	<b>Disposed during quarter</b>
none				

<sup>2</sup> Bobrikovo Project is located in eastern part of Ukraine in the Donbas region. This project has been written-off in full in the 2014 Annual Report at the consolidation level. Given the ongoing situation in the Donbas region there is a lack of clarity regarding permitting and licencing situation.

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### APPENDIX B

#### WINCHESTER PROJECT TECHNICAL INFORMATION

On 10 March 2015, Korab released the results of the expanded pre-feasibility study into Winchester magnesite quarry and its potential earnings, costs, free cashflow, and net present value.

Results of this expanded study have shown that the project has very attractive economics with an aggregate EBITDA of \$395 mln over quarry life and attractive long-run annual EBITDA of \$32 mln/year (at 800kt/year of rock sales). The capital and start-up costs were estimated at around \$4 mln (including quarry costs of approximately \$1.2 mln and a contingency of ~\$1mln). Full text of the report can be accessed through the link below:

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01606646>

Deposit is located approximately 85km south of the port of Darwin in the Northern Territory (see Figure 1, and Figure 2). It is less than a hundred meters from sealed road, and less than 5km from railway line linking Winchester with Darwin port and major Australian cities.

The Company confirms that all material assumptions underpinning the production target in that announcement continue to apply and have not materially changed. This expanded study included the estimates of revenues and various additional material costs such as haulage, port charges, interest, debt repayment, royalties, overheads, etc. and evaluated the economics of Winchester quarry assuming its development as a direct shipping ore (DSO) operation.

This pre-feasibility study was based on the indicated mineral resource only. Current estimated mineral resources at Winchester, including both indicated and inferred categories, are shown in the following table:

Table 1 Mineral resources estimates

At 40% MgO Cut-Off	MgCO Mass '000 Tonnes	MgO grade %
Indicated Resources	12,200	43.1
Inferred Resources	4,400	43.6
<b>Total</b>	<b>16,600</b>	<b>43.2</b>

There has been no change to the Winchester mineral resource estimate since it was last reported in the Annual Report 2016. This information was prepared and first disclosed under the JORC Code 2004 on 17 July 2007. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The author of this report is not aware of any new information or data that materially affects the information included in the report released on 17 July 2007 and, in the case of mineral resources that all the material assumptions and technical parameters underpinning the estimates in the report released on 17 July 2007 continue to apply and have not materially changed. The form and context in which the findings of the report released on 17 July 2007 are presented have not been materially modified.

The key determinant of the success of a magnesite project is the quality of its magnesium carbonate rock and its proximity to transport infrastructure. Winchester magnesite project has the advantage of being one of the highest grade magnesium carbonate deposits and also being located in close proximity to rail, roads, and a major deep sea port. The deposit is a shallow, flat lying ore body covered by approximately 5m of clay overburden and it can be mined using easy open cut method, essentially as a quarry.

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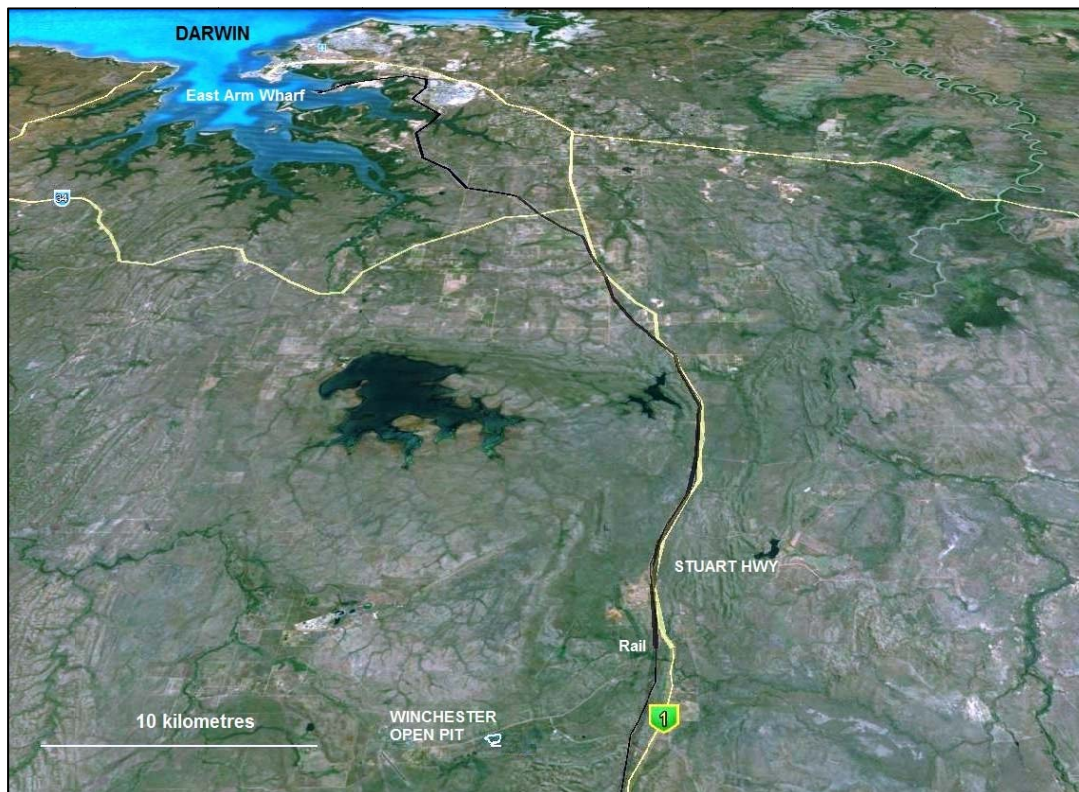


Figure 1 Location of proposed Winchester quarry relative to East Arm Wharf at Darwin Port

## Projects

**Winchester**  
(Rum Jungle, NT)  
Magnesium carbonate  
(MgCO<sub>3</sub>)

**Geolsec**  
(Rum Jungle, NT)  
Phosphate rock  
(P<sub>2</sub>O<sub>5</sub>)

**Batchelor**  
(Rum Jungle, NT)  
Au, Ag, Zn, Pb, Ni, Cu, Co,  
Sc, Mn

**Mt. Elephant**  
(Ashburton, WA)  
Au, Cu

**Karratha**  
(Pilbara, WA)  
Au, Co, Cu

**Marble Bar/Nullagine**  
(Pilbara, WA)  
Au, Co, Cu, Li

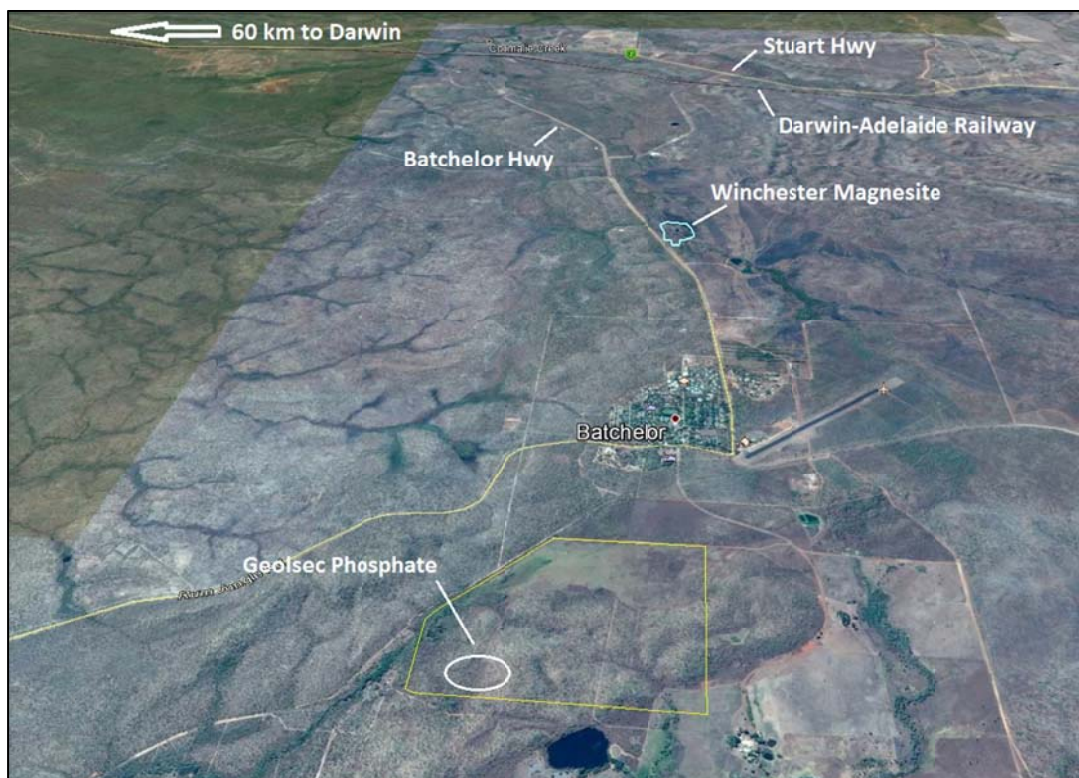


Figure 2 Location of Geolsec and Winchester relative to local infrastructure, roads and rail



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