KORAB RESOURCES LIMITED

KORAB HOUSE

www.korab.com.au

FPO SHARES

ASX: KOR
Last price: AU¢ 2.1

BERLIN: C6S.BE
Last price: € 0.01

13 January 2015

WINCHESTER MAGNESITE DIRECT SHIPPING ORE PRE-FEASIBILITY STUDY RESULTS

Korab Resources Ltd ("Korab", or "Company") (ASX: KOR) is pleased to provide the results of the pre-feasibility study to develop Winchester magnesite deposit as a direct shipping ore (DSO) operation. This study was completed by the Company using information collated and prepared by Golder Associates Pty Ltd, the Company, URS, Bateman Tenova and Devmin Consultants. This is a pre-feasibility level study with estimated accuracy of +/-30% and consequently 30% contingency has been added to all capital and operating costs. Assumptions and inputs (mining work rates, labour costs, maintenance costs, as well as other input variables) underpinning this study which generated the capital and operating costs estimates were sourced from appropriate consultants and contractors.

This study assessed capital and operating costs of Winchester project supplying a direct shipping ore crushed on site to 25mm and screened to separate fines (minus 6mm). No additional processing of magnesite rock was evaluated. The output from the quarry would consist of crushed magnesite rock with a waste stream consisting of waste rock and fines which would be stored on site. The estimated ratio of coarse saleable magnesite rock to fines was 80%. This study showed that there may be a market for magnesite fines in agriculture and feedstock production; however any potential revenue from sale of fines has not been included in this study.

Deposit is located approximately 85km south of Darwin in the Northern Territory, less than a hundred meters from sealed road, and less than 5km from railway line. For location of the project please see Figure 1. The deposit is a shallow, flat laying body covered by up to 5 meters of soil overburden. It can be mined at a low cost by open cut method.

Korab has been in discussions with unrelated parties regarding the funding for the development of this project. The Company will now proactively pursue these discussions with interested parties.

CAPITAL COST ESTIMATES

Capital costs of the Winchester project have been estimated at approximately $4 million (including 30% contingency). Components of the capital costs of the project are shown in Table 1. Results of the study show that main components of capital expenditure are not sensitive to output capacity and that the capacity is primarily the function of demand for the DSO magnesite rock. The capacity of the project would therefore ultimately depend on any off-take and/or long term sale agreements that may be entered into. The study assumed that contractors would be used for majority of project operating tasks thus reducing capital costs by limiting the need for owner operated equipment. Capital cost has been estimated for the development of open pit operations with required access roads, diversion channels, waste and water management and site infrastructure etc. Two variants were evaluated, bench-bench and staged development. The study was based on a conceptual mine that could operate at various capacity levels, 250,000T/y ROM capacity, 500,000T/y ROM capacity and 1,000,000T/y ROM capacity.

Capital cost estimates shown in Table 1 assume bench-by-bench development scenario. Under the staged development variant the capital costs will be slightly reduced but the operating costs will not change. However, the difference in capital costs estimates between the two development variants (bench-by-bench versus staged development) is negligible and can be disregarded for the purposes of this study.

The layout of the project under bench-by-bench operating scenario with mine and dewatering infrastructure is shown in Figure 2 and 3. Conceptual layout including mine and dewatering infrastructure under staged development scenario is shown in Figure 5. Open pit cross section under staged development variant is shown in Figure 6.

Table 1 Project estimated capital costs

SUMMARY	
WATER MANAGEMENT	626,810
SITE INFRASTRUCTURE	1,079,310
WASTE DUMPS	108,925
MINE	1,293,290
SUBTOTAL	3,108,335
CONTINGENCY	932,501
TOTAL ESTIMATE	4,040,836

OPERATING COST ESTIMATES

Operating cost at 1,000,000T/y ROM output capacity (800,000T/y of saleable rock) is estimated at $21/T of saleable coarse magnesite (including 30% contingency). Estimated project operating costs at various output capacities are shown in Table 2.

Table 2 Project estimated operating costs (shovel and truck, drill and blast)

Description	250KT/Y	500KT/Y	1,000KT/Y
WATER MANAGEMENT ($/YR.)	440,000	440,000	440,000
WASTE DUMPS ($/YR.)	180,000	180,000	180,000
MINE AND CRUSHING ($/YR.)	3,906,452	7,137,186	12,421,015
SUBTOTAL ($/YR.)	4,526,452	7,757,186	13,041,015
CONTINGENCY (30%)	1,357,935	2,327,156	3,912,304
TOTAL ESTIMATE	5,884,387	10,084,342	16,953,319
CAPACITY OUTPUT ROM MAGNESITE (T/YR.)	250,000	500,000	1,000,000
SALEABLE COARSE MAGNESITE COST ($/T)	29	25	21
COARSE MAGNESITE/FINES	80%	80%	80%
CAPACITY OUTPUT COARSE SALEABLE MAGNESITE (T/YR.)	200,000	400,000	800,000
CAPACITY OUTPUT FINES (T/YR.)	50,000	100,000	200,000

Above variant shown in Table 2 assumed standard shovel and truck mining method with limited drill and blasting.

The Company also undertook high level assessment of alternative method relying on continuous surface miners and ancillary equipment for moving the in-situ crushed ore and for direct loading onto trucks. This option reduces the handling costs, drilling and blasting and eliminates the need for primary crushing (and potentially secondary crushing). Preliminary assessment of the alternative method suggests that the use of continuous miners with either an integrated loading system, or a wheel loader and conveyor would yield 20%-30% operating cost savings compared to the shovel and truck method. Consequently, the Company will undertake more detailed assessment of this method.

MINING PLAN

Results of the study show that average waste rock to ore ratio for the entire mining operation is 0.5 to 1 T/T, though the actual ratio will fluctuate over the life of the project. Initially, the waste rock to ore

ratio would be about 1 to 1, while towards the end of mine-life the ratio would be less than 0.2 to 1. The average ratio of all waste (overburden plus waste rock) to ore for the entire mining operation was 0.6 to 1 T/T.

The study shows that variable costs of mining and the waste:ore ratio would have little impact upon the size and shape of the open pit excavation over the mine life examined in this study. The design criteria for the open pit used in this study are summarised in the following table.

Table 3 Open pit design criteria

Bench Height (m)	5
Distance between berms (m)	20
Berm Width (m)	5
Road Width (m)	20
Maximum Road Gradient (%)	12.5

The slope design parameters used in this study are summarised in the following table.

Table 4 Open pit slope design parameters

Unit	Face Angle	Face Height
Overburden	40°	Irregular
Undisturbed rock	70°	20 m

A thin layer (up to 5m) of unconsolidated soil and unconsolidated alluvium overlies the massive magnesite at the Winchester deposit. This overburden would require progressive removal to expose the hard, consolidated magnesite. It is expected that the unconsolidated, overburden could be removed by tractor scraper.

Under shovel and drill/blast option, conventional open pit mining methods using rubber-tyred trucks and either a hydraulic excavator or rubber-tyred, front end loader were proposed for excavation of the open pit materials.

Under the shovel and drill/blast option, magnesite would require blasting prior to excavation and mine benches are expected to be suitable for running rubber tyred mining equipment with minimal preparation.

The second alternative is to use continuous miners with wheel loaders and/or conveyors. This option would reduce the mining costs by removing the need for blasting and possibly crushing of ore as well. Preliminary assessment based on quotations from contractors suggests a 20%-30% reduction in mining/crushing costs per tonne over the life of mine.

Because of the initially low volumes of material to be excavated it was proposed that mining operations were to be carried out on a yearly campaign by employing a specialist mining contractor. As the volumes increase it is expected that the project could move to year round operation.

MINERAL RESOURCES ESTIMATES FOR WINCHESTER MAGNESITE DEPOSIT

Current estimated mineral resources at Winchester underpinning this pre-feasibility study are shown in the following table:

Table 5 Mineral resources estimates

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

There has been no change to the Winchester mineral resource estimate since it was last reported in the Annual Report 2014.

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.

BACKGROUND INFORMATION

Batchelor project consists of exploration licence EL29550 (100% Korab Resources Ltd) and a Mineral Lease application ML30587 (100% AusMag Pty Ltd, a wholly owned subsidiary of Korab Resources Ltd). The project is located near town of Batchelor, some 70 km south of Darwin in the Northern Territory and the project area extends for approximately 20 km.

As previously advised, Korab is continuing the evaluation of proposals to start mining of magnesite from Winchester magnesite deposit. Evaluation involves review of several development proposals, all of them being direct shipping ore operations but with different schedules, outputs, end users and partners. No decision to commence mining or to enter into any development, sale, off-take, or joint venture agreements with any of the interested parties has been made as yet.

COMPETENT PERSON STATEMENT

The information in this report that relates to Mineral Resources underpinning the pre-feasibility study reported in this report is based on information compiled by the Company and reviewed by Malcolm Castle, a competent person who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Malcolm Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd. Mr Castle has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken 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" ("JORC Code"). Malcolm Castle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. This information was prepared and first disclosed under the JORC Code 2004. 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.

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 gold and silver deposit at Bobrikovo in eastern Ukraine, Geolsec phosphate rock deposit and Winchester magnesite deposit at Batchelor in the Northern Territory of Australia. The Company also explores for gold and copper at Ashburton Downs in Western Australia and for polymetallic deposits at Batchelor in the Northern Territory. More information about Korab's projects can be sourced from Korab's website at 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.

LIST OF TABLES

Table 1 Project estimated capital costs 2
Table 2 Project estimated operating costs (shovel and truck, drill and blast) 2
Table 3 Open pit design criteria 3
Table 4 Open pit slope design parameters 3
Table 5 Mineral resources estimates 3
Table 6 Material modifying factors 6

LIST OF FIGURES

Figure 1 Site locality plan 8
Figure 2 Conceptual layout at end of year 3 – bench-by-bench development variant 8
Figure 3 Conceptual layout at end of mine life – bench-by-bench development variant 9
Figure 4 Open pit outlines – bench-by-bench development variant 9
Figure 5 Conceptual layout – staged development variant 10
Figure 6 Open pit cross section – staged development variant 10
Figure 7 Winchester Magnesite deposit relative to Darwin and Batchelor 11
Figure 8 Winchester Magnesite deposit relative to basic infrastructure and topography 11

Table 6 Material modifying factors

MODIFYING FACTOR	COMMENTS
Legal	Winchester deposit is located within exploration licence EL29550 held by Korab. The exploration licence has an area of 171,172 ha. Korab established a wholly owned subsidiary AusMag Pty Ltd which has applied for a Mineral Lease (mining licence) MLN30587 over approximately 2% of the area of EL29550. The mineral lease application has an area of 349 ha. East Africa Resources Limited (ASX: EAF) is entitled to a royalty of 5% of net profits achieved after deduction of all operating costs, transportation and sales costs and all taxes, government charges, royalties and fees on sales of magnesite rock mined from Winchester deposit.
Infrastructure	The deposit is located 2km east from the town of Batchelor along Batchelor road and 75km from Darwin port along Stuart Highway. Darwin to Adelaide rail line runs approximately 5km from the deposit. High voltage power runs along the Batchelor road next to the deposit. Additional high voltage power lines run across the project 2 km to the east of the deposit. Gas pipeline runs approximately 3 km east of the deposit. Potable water is available on site. Accommodation is available at Batchelor with alternative accommodation available in Darwin.
Transportation	Sea transport is available from Darwin port which is located 75km to the north of the project. Road transport by haulage trucks is available to the Darwin port and to South Australia, Victoria, New South Wales and Queensland via Batchelor road and then via Stuart Highway. Darwin to Adelaide railway line runs along Stuart Highway and is transected by Batchelor road approximately 5km from the deposit. Currently there are no rail loading facilities either at Batchelor or near the point where Batchelor road transects the railway line.
Mineral Resources Classification	The mineral resources estimates that were used to underpin this report are classified as indicated mineral resources.
Marketing (Off-take or Sale Agreements)	Development of Winchester depends on one or more long-term sale, or off-take agreements being completed successfully. There are no sales or off-take agreements in place at this stage. Korab is in discussions with number of parties regarding potential joint ventures, equity partnerships, off-take and long-term sales agreements but no agreement has been completed as yet. Some of these discussions have progressed to the point where key components of potential agreements have been agreed upon but no formal agreement has been executed. However, there is no guarantee that any of these discussions will results in an agreement being executed.
Mine Permitting	Winchester deposit is located on exploration licence EL29550. Before quarrying of magnesite from the deposit can commence, the project will require a grant of a Mineral Lease (which is currently under application). Furthermore, before the quarry can be established, an appropriate Mine Management Plan (MMP) will need to be submitted to the Northern Territory Department of Mines and Energy and approved.
Environmental studies	Environmental impact studies have been undertaken for the Winchester magnesite project and the assessment shows that the magnesite quarry will have a minimal impact. This is primarily because the project would be developed as a magnesite rock quarry with no processing of the rock other

	than crushing and screening. There are several rock quarries in the vicinity of the town of Batchelor, some abandoned some in operation.
Native Title	Winchester deposit and the mineral lease application are located wholly on freehold land and no native title approvals would be required to establish a quarry. However, any sacred sites and sites of anthropological or historical significance that are located within the project area would need to be protected.
Social	Winchester mine would utilise contractors operating on campaign basis. Other than contractor's staff, there would be relatively small number of people involved in establishing and operating the mine (fewer than 10). Whilst there is no legal requirement to utilise local contractors and labour, they would be given preference whenever this would not negatively affect the viability of the project.

FPO SHARES

ASX: KOR
Last price: AU¢ 2.1

BERLIN: C6S.BE
Last price: € 0.01

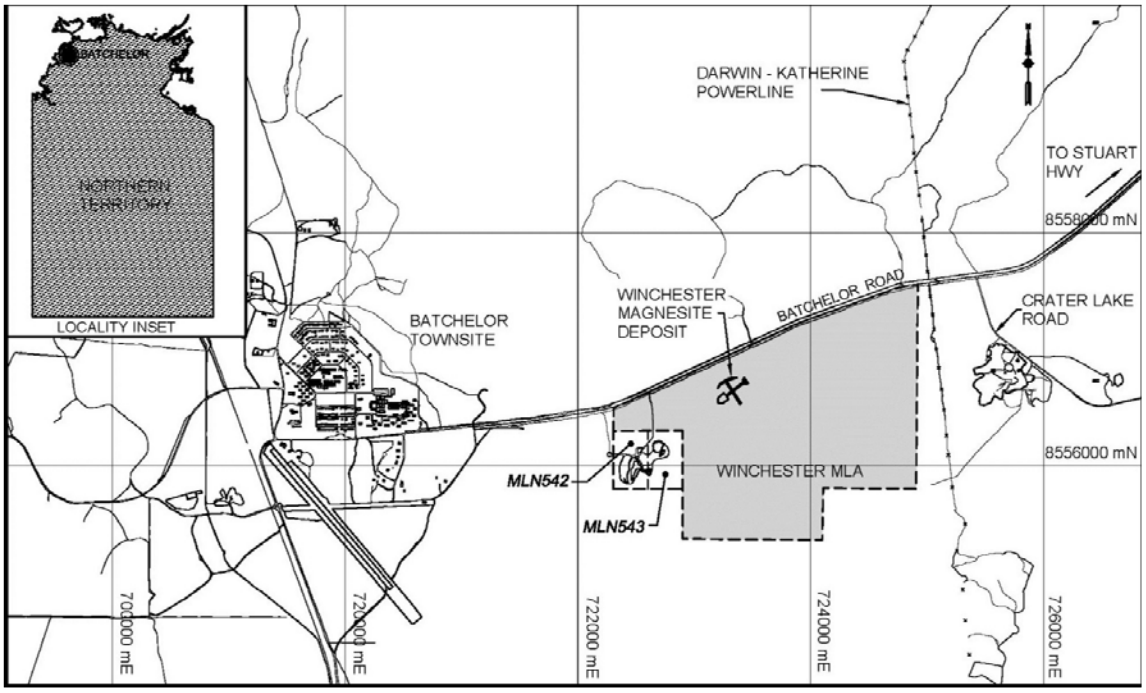

Figure 1 Site locality plan

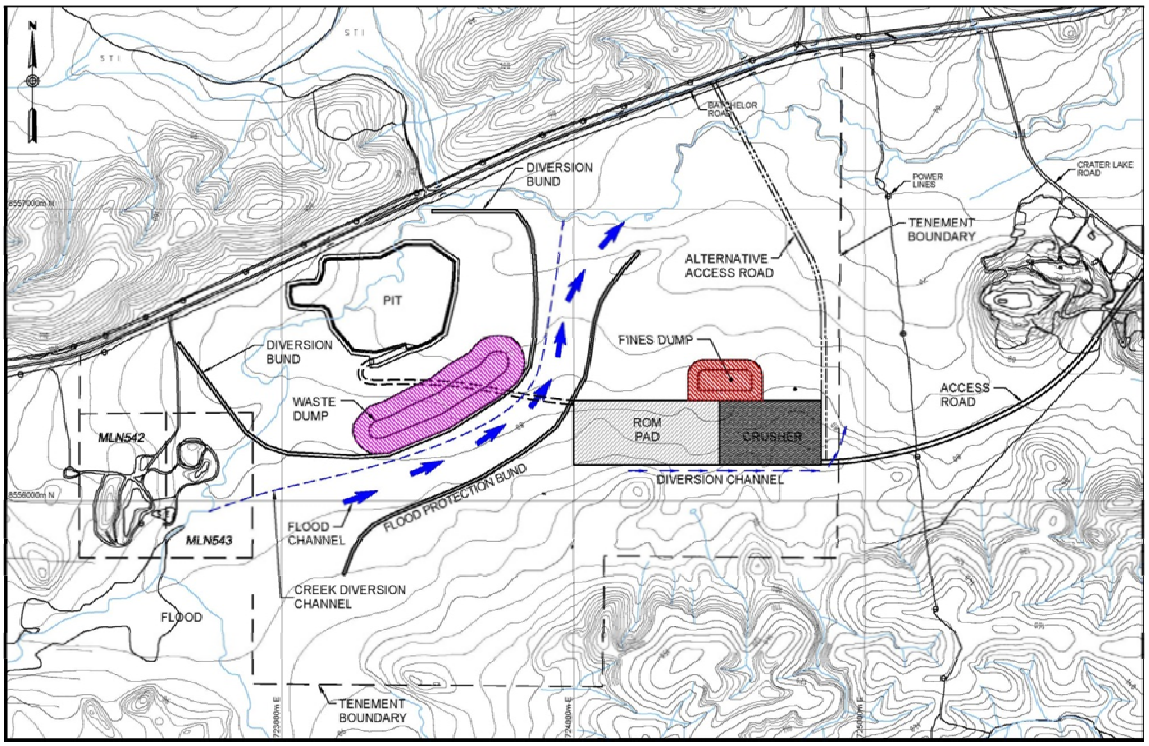

Figure 2 Conceptual layout at end of year 3 – bench-by-bench development variant

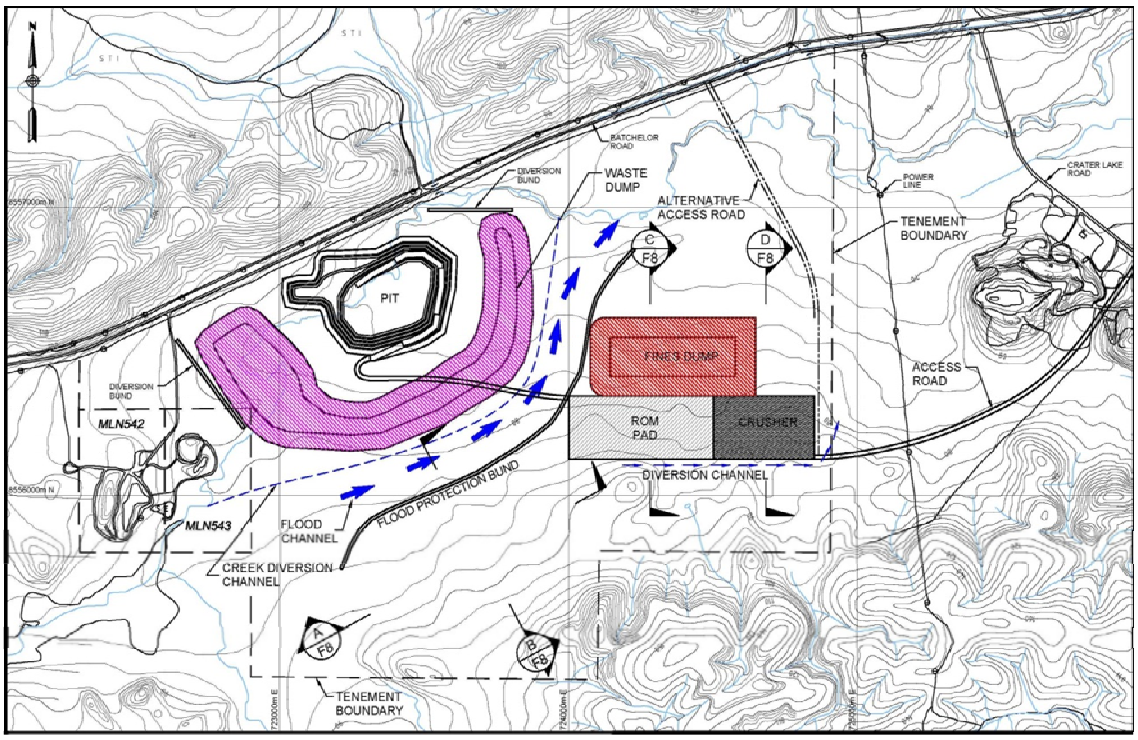

Figure 3 Conceptual layout at end of mine life – bench-by-bench development variant

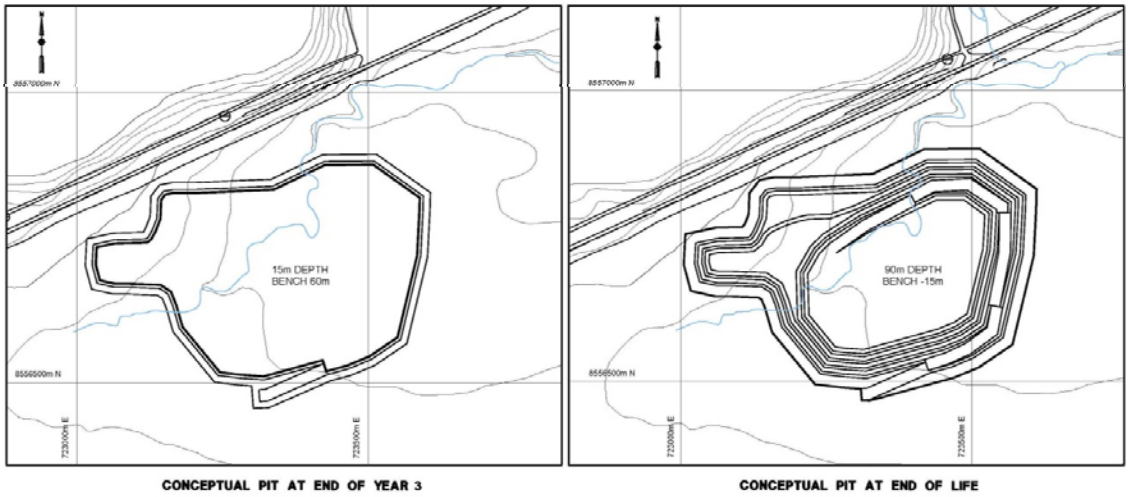

Figure 4 Open pit outlines – bench-by-bench development variant

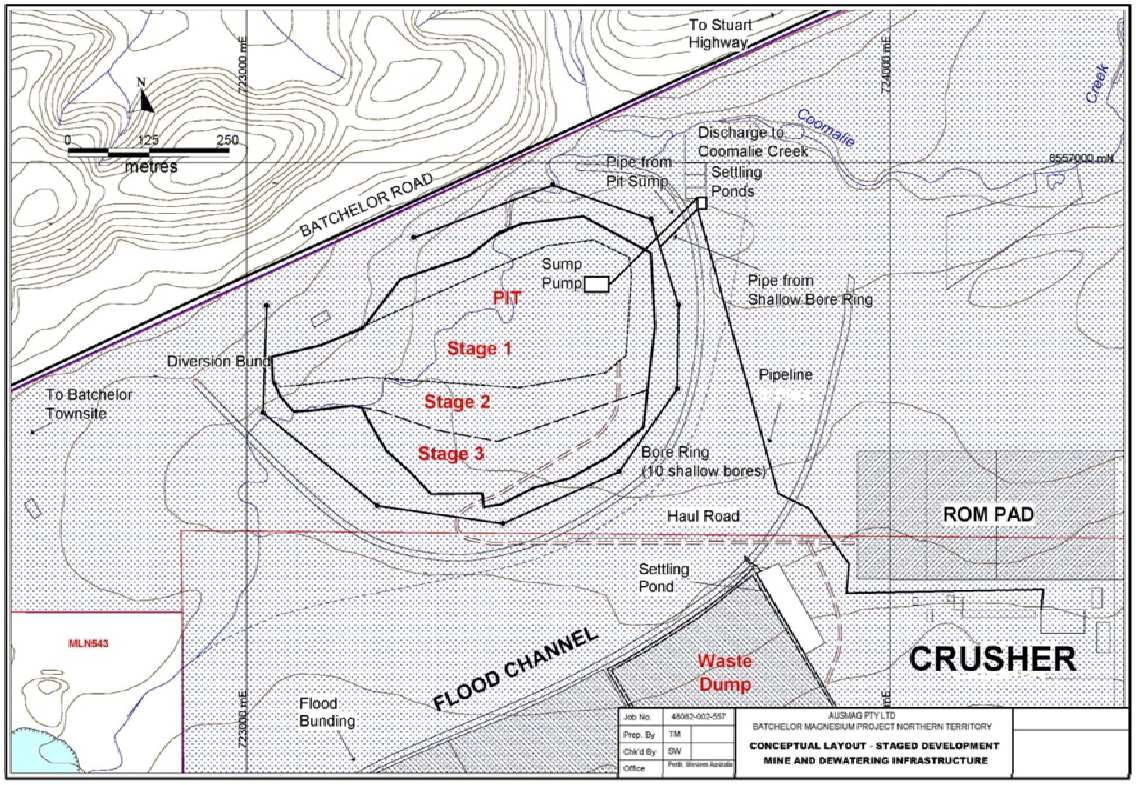

Figure 5 Conceptual layout – staged development variant

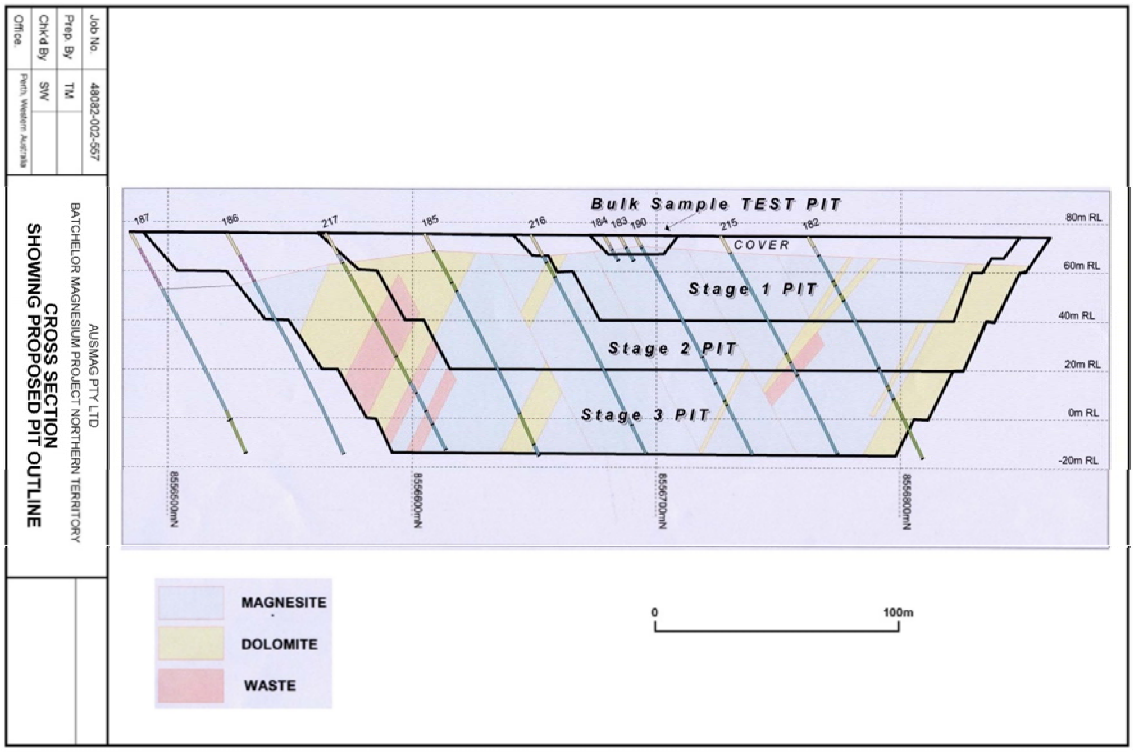

Figure 6 Open pit cross section – staged development variant

FPO SHARES
ASX: KOR
Last price: AU¢ 2.1
BERLIN: C6S.BE
Last price: € 0.01

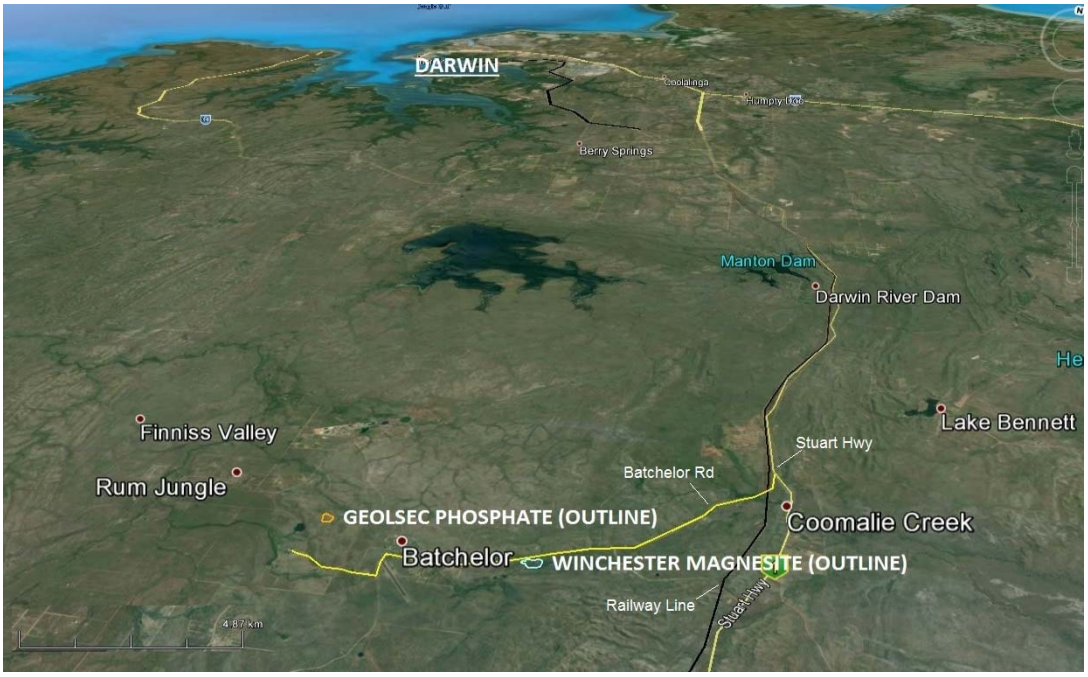

Figure 7 Winchester Magnesite deposit relative to Darwin and Batchelor

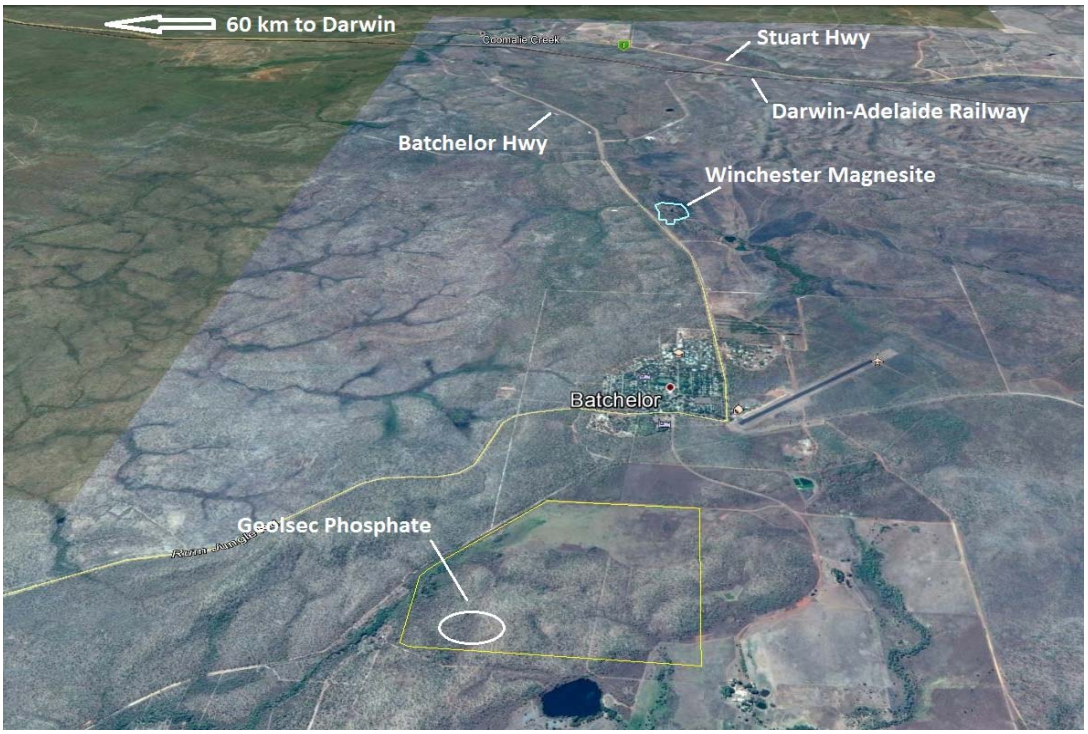

Figure 8 Winchester Magnesite deposit relative to basic infrastructure and topography