



# KORAB RESOURCES LIMITED

KORAB HOUSE

[www.korab.com.au](http://www.korab.com.au)

## FPO SHARES

Issued: 153 mln  
Market Cap: \$4 mln

ASX: KOR  
Last Price: AU\$ 2.8

BERLIN: C6S.BE  
Last Price: € 0.01

Tuesday, 16 June 2015

## WINCHESTER MAGNESITE QUARRY FUNDING/OFFTAKE PROPOSAL

As a matter of compliance with continuous disclosure obligations, Korab Resources Ltd ("**Korab**", or "**Company**") (ASX: KOR) is pleased to advise that it has received a proposal from an unrelated party ("**Buyer**") to acquire 50% equity interest in Korab's wholly owned subsidiary AusMag Pty Ltd ("**AusMag**") and to fund the development of Winchester magnesite deposit.

The proposal envisages that in addition to acquiring an equity interest in AusMag for a \$6 million cash payment, the Buyer would fully fund the development of the Winchester project to first ore shipment stage and would also enter into an offtake agreement to buy magnesite ore from the Winchester quarry on normal commercial terms. Under the proposal the Buyer would be responsible for the operations of the Winchester quarry. The Buyer also expressed interest in acquiring 50% equity interest in another Korab's wholly owned subsidiary Geolsec Phosphate Operations Pty Ltd ("**Geolsec**"). Under the proposal the Buyer would also operate Geolsec quarry and would enter into an offtake agreement to buy rock phosphate on normal commercial terms. The consideration for Geolsec is to be negotiated. Other details of the proposal are confidential at this stage.

Korab is currently reviewing this proposal. No binding agreement has been entered into. Korab is actively pursuing discussions with the Buyer and will advise the market shortly of the progress of this review and discussions.

### BACKGROUND TO WINCHESTER MAGNESITE PROJECT

On 13 January 2015, Korab released the results of the pre-feasibility study into the development of Winchester as a DSO operation. Study results have shown potential for a low-CAPEX (AU\$4 million), long-life mining operation capable of supplying up to 800,000 tonnes of crushed direct shipping magnesite per annum at a cost of AU\$21 per tonne. Current magnesite prices range between AU\$80 and AU\$110 per tonne. Full text of the report can be accessed through the link below.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01590863>

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

Results of the expanded study have shown that the project has very attractive economics combined with ability to potentially generate significant pre-tax earnings over project life starting with the first year of operations. 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>

This study assessed estimated potential 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 is planned. 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



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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, capital of the Northern Territory, less than a hundred meters from sealed road, and less than 5km from railway line. The deposit is a shallow, flat laying body covered by up to 5 meters of soil overburden. It can be quarried at a low cost by open cut method.

Winchester magnesite quarry has a potential to bring substantial economic and social benefits. In addition to providing royalty revenue stream for the government, the quarry would also directly benefit Territorians by supporting local businesses and providing jobs.

Whilst there is no legal requirement to utilise local contractors and labour, local businesses and labour would be given preference as long as this would not have negative impact on the viability of the project. The project will aim to utilise local contractors operating on a campaign basis. Other than contractor's staff, there would also be a number of local personnel involved in establishing and operating the quarry.



Figure 1 Winchester magnesite and Geolsec phosphate deposits located 85 km south of port of Darwin near town of Batchelor. Deposits are close to a highway, rail, water, gas, and power.



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Figure 2 Winchester deposit location relative to town of Batchelor, basic infrastructure and topography.

- END -

## CONTACT:

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## 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 mine at Bobrikovo in Ukraine, Geolsec phosphate mine located 80km from Darwin in the Northern Territory of Australia and Winchester magnesite deposit located 75km from Darwin 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 Rum Jungle mineral field in the Northern Territory of Australia. 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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