



KORAB RESOURCES LIMITED

KORAB HOUSE

www.korab.com.au

FPO SHARES

Issued: 194 mln

Market Cap: \$6 mln

ASX: KOR

Last Price: AU\$ 3.1

BERLIN: C6S.BE

Last Price: € 0.02

31 July 2015

QUARTERLY ACTIVITIES REPORT TO 30 JUNE 2015

This is a quarterly activities report for the period from 1 April 2015 to 30 June 2015 by Korab Resources Ltd ("Korab", or "Company") (ASX: KOR) and its subsidiaries ("Korab Group").

OPERATIONS – EXPLORATION, EVALUATION AND DEVELOPMENT

Rock Phosphate Geolsec Project (Northern Territory)

During the quarter Korab Group continued marketing of Geolsec phosphate rock through overseas and domestic channels. As a result of this marketing program Korab Group received several new inquiries from potential domestic and overseas buyers and distributors. Korab is actively pursuing discussions with interested parties with the aim of signing distribution and/or sales agreements for Geolsec phosphate rock.

On 23 April 2015 Korab announced that its subsidiary Geolsec Phosphate Operations Pty Ltd ("Geolsec") has entered into Heads of Agreement ("HoA") with an unrelated party ("Distributor") for the quarrying and distribution of phosphate rock from Geolsec phosphate quarry.

The HoA provides the framework for a more comprehensive definitive agreement to be executed between the parties. Under the general terms Geolsec will remain the owner and operator of the quarry. The Distributor will be responsible for the quarrying and haulage of the phosphate rock at Distributor's cost and risk. Geolsec will receive a royalty per tonne of rock removed from site and the royalty amount will be linked to the grade of the rock. The Distributor will have distribution rights to Northern Territory, Victoria, New South Wales and Queensland with the minimum annual tonnage to be bought by the Distributor. The initial term will be for 3 years with an option to extend it for another 3 years. If the minimum annual tonnage is not bought by the Distributor in any given year, Geolsec will be able to terminate the agreement.

This transaction has a potential to generate up to \$1 million in annual profit for Geolsec over 12 months from commencement based on preliminary agreement reached with the Distributor regarding the annual volumes and pricing. Final pricing, royalty level and the annual tonnage are currently being negotiated.

On 12 June 2015 Korab announced that following receipt of positive initial test results from samples provided earlier to one of the largest fertiliser companies in Indonesia, "PT Petrokimia Gresik", Geolsec has been asked to provide additional samples for further testing. PT Petrokimia Gresik currently buys approximately 1.5 mln tonnes of rock phosphate per year from several suppliers. Positive result from initial testing by one of the dominant players in the fertiliser market and their request for additional material from Geolsec are very positive indications for Geolsec project and could potentially lead to significant future sales.

On 16 June 2015 Korab advised that it has received an expression of interest from an unrelated party ("Buyer") to acquire 50% equity interest in Geolsec. Under the proposal the Buyer would operate Geolsec quarry and would enter into an offtake agreement to buy rock phosphate on normal commercial terms. The proposed purchase price for equity stake in Geolsec is still being negotiated; however the parties are very close on the numbers under consideration.

Following the end of the quarter, on 17 July 2015, Korab announced that Geolsec has received additional requests for rock phosphate samples from another major overseas fertiliser manufacturer and from an operator of timber plantations. Geolsec has also received a request for quotation from a large overseas distributor to supply 100,000+ tonnes of phosphate rock on CFR basis.



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Korab Resources Executive Chairman, Mr Andrej Karpinski, noted that Geolsec is actively pursuing all potential sales leads and is in ongoing contact and discussions with buyers and distributors with the aim of signing supply agreements.

"These additional requests for samples and quotations on large scale supply contracts indicate that despite the phosphate market having been under considerable pressure in the last 12 months the quality of the Geolsec rock and the logistic advantage of the project continue to generate strong interest from buyers and distributors which we hope will eventually translate into material sales and revenue." Mr. Karpinski said.

Phosphate rock prices have been depressed for a long period of time due to reduced demand out of India and China and a considerable oversupply of rock coming from North Africa.

BACKGROUND INFORMATION ABOUT THE GEOLSEC PHOSPHATE ROCK QUARRY

Location of the Geolsec project (see Figures 2 and 3), just south of the port of Darwin and within a short distance to majority of Asian ports gives Geolsec significant advantage over phosphate producers located in Africa and the Middle East when supplying Asian and Australian buyers and distributors. Furthermore, being located next to trans-continental rail-way link and highway connecting Darwin to Queensland, NSW, Victoria and the Ord River agricultural region in WA, Geolsec has excellent access to the main agricultural regions in all Australian states.

The primary target markets for the domestic sales of the direct shipping phosphate rock, ground-up phosphate rock and phosphate rock blends, are organic farmers in Queensland, Victoria, New South Wales, South Australia and WA, plantations and pastoralists around Darwin (NT), and fruit growers in Ord River (WA). The primary target markets for the overseas sales of the direct shipping phosphate rock are Asian distributors, fertiliser manufacturers and end users.

Geolsec direct application phosphate rock has a potential to provide substantial ongoing benefits to the environment by improving soil fertility and improving nutritional quality of produce grown on fields fertilised with phosphate rock and phosphate rock products. More information about Geolsec's benefits and the benefits of direct application of phosphate rock to soils is available from Korab website at www.korabresources.com.au/geolsec

Winchester Magnesite Project (Northern Territory)

On 19 May 2015, Korab advised that its wholly owned subsidiary AusMag Pty Ltd ("AusMag") which operates the Winchester project could not reach agreement with Rescap regarding the amended terms of the proposed transaction and consequently the discussions between the parties were terminated.

On 16 June 2015 Korab advised that it has received a proposal from an unrelated party ("Buyer") to acquire 50% equity interest in 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 proposed purchase price for equity in Geolsec is still being negotiated; however the parties are very close on the numbers under consideration.



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On 22 June 2015, Korab announced that AusMag has received a second proposal from another unrelated party regarding funding for the Winchester magnesite project. The proponent is a respected mining contracting company ("Contractor") which would fully fund the project to first ore shipment stage.

Under this proposal, the Contractor would provide Korab/AusMag with turnkey project finance, development and operation solution subject to various conditions precedent. This highly conditional proposal envisages that the Contractor would take control of the development of Winchester magnesite quarry including the permitting process and would take it to production at its own expense. In exchange the Contractor would receive a long term contract to operate the quarry and a royalty. Unlike the proposal reported on 16 June 2015 (which came from a different party), this second proposal does not envisage upfront cash payment, offtake, or equity position.

After the end of the quarter, following Korab's review of above proposals and Korab's/AusMag's discussions with the proponents, AusMag and Rescap have executed Deed of Termination and Release ("Release") which relieved AusMag and Rescap from all obligations arising from the Rescap agreement including obligations relating to marketing/offtake rights.

Korab Resources Executive Chairman, Mr Andrej Karpinski, noted that the Company was very pleased to regain the full control over the marketing/offtake rights of all of the magnesite ore to be quarried from the Winchester project.

"Signing of this Release allows AusMag and Korab to control and transact the entire 1 million tonne annual capacity of the proposed Winchester magnesite quarry which puts Korab in a much better commercial position going forward." Mr Karpinski said.

On 6 July 2015, Korab advised that it has received unsolicited approach from another unrelated party ("Investor") regarding investment in Winchester project and a potential corporate transaction. Investor also expressed desire to take up the shortfall from the recently closed non-renounceable rights issue. Subsequent to that, the directors of the Investor participated in the placement of the part of the shortfall shares from the Rights Issue (see "Operations – Corporate" on page 5) taking up their entire allocation of the shortfall shares which was offered to them as part of the placement.

Korab and AusMag are actively pursuing discussions with all three interested parties and will advise the market of the progress of the review of the proposals, the negotiations and the discussions when required.

BACKGROUND INFORMATION ABOUT THE WINCHESTER MAGNESITE DEPOSIT AND PROPOSED QUARRY

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. 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.



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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 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 3km from the regional centre of Batchelor and approximately 85km south of the port of Darwin in the Northern Territory (see Figures 1,2, and 3). It is 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 to the Northern Territory. 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.

Bobrikovo Gold and Silver Project (Ukraine)

There has been little activity at the Bobrikovo project. As previously advised, (29 July 2014) Korab Group finalised terms with respect to the potential sales of ore to unrelated third parties at mine gate for a fixed price per gold contained, with buyers being solely responsible for logistics, transportation and processing. In addition to the above transaction, an arrangement with another party was being negotiated. This arrangement envisaged that the ore would toll-treated and that this third party would be paid through a share of the gold recovered. This party would also be solely responsible for the logistics and the costs of transportation and processing.

Following the signing of Minsk Accord and the reconstruction of the rail links and other infrastructure in the area; Korab Group has engaged with various stakeholders to move these transactions forward.

During the quarter Korab received inquiries from interested unrelated parties regarding potential investment in Bobrikovo project and/or provision of funding for its development. These discussions are continuing. Korab will advise the market when and if it enters into any material agreement/s regarding Bobrikovo.

Batchelor/Green Alligator Polymetallic Project (Northern Territory)

During the quarter Korab continued to assess commercial aspects of re-opening of the Sundance gold mine located within this project. The mine is located on two granted mining leases 2 km east of the town of Batchelor but is currently not in operation.

Sundance gold mine previously produced gold from two shallow open pits with ore being hauled to Cosmo project for toll treatment. The head grade of the ore sent for toll treatment was in excess of 10 grams per tonne Au. Cosmo project is located approximately 80km south-east from Sundance mine along Stuart highway.

Sundance gold mine (if reopened as a quarry) could utilise the same contractors, infrastructure and operations management set-up as the Geolsec phosphate quarry which is located just 4 km to the west. This type of operation could potentially generate additional income stream at a low marginal



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cost with very little additional input from Korab Group. The company held discussions with potential contractors and also commenced the review and assessment of the environmental and social impact aspects of the proposal. Work on the proposal to reopen the Sundance mine is continuing. Material information will be provided to the market when available.

During the quarter, Korab also continued studies of the data from Korab's field work within Batchelor/Green Alligator project and prepared for a drill program to test several anomalies within the Batchelor project.

Following the end of the quarter Korab undertook a drilling program of 5 vertical RC holes to test an interpreted conductor and other geophysical features overlying prospective horizon. Previous drilling by Korab within this horizon had discovered nickel, cobalt, copper, lead and zinc anomalies. 6-meter composite samples of the drill chips from the program have been sent for analysis. Results of the assay tests will be reported when available.

Ashburton Downs Copper and Gold Project (Western Australia)

Exploration and evaluation of the Ashburton Downs project continued during the quarter. No material results were generated. Material results will be announced to the market when available.

OPERATIONS – CORPORATE

On 9 April 2015, the Company issued 2,200,000 shares to exempt investors under section 708 of the Corporation Act at \$0.05 per share. The placement included 1,100,000 free attaching unlisted options issued at a rate of one free option for each two shares. The options expire on 30 June 2016 and have an exercise price of 10 cent per share.

On 22 April 2015 the Company announced appointment of Anthony G. Wills as a non-executive director of the Company.

On 26 May 2015 the Company announced a 1 for 3 pro-rata rights issue offer of shares to eligible shareholders of up to 50,750,435 shares at 3 cents per share. The rights issue offer closed on 22 June 2015 with a shortfall of 24,376,710 shares. On 25 June 2015 the Company issued 26,373,725 shares to the applicants, the nominee for overseas shareholders and the underwriter. Following the end of the quarter, the Company placed 15,266,667 shares at \$0.03 per share as a placement of the part of the shortfall shares to exempt investors (including the parties referred to on page 3 above) under section 708 of the Corporation Act

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 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.



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INTERESTS IN MINING TENEMENTS

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	Northern Territory, Australia	100% 100% 100% 100% 100% 100% 100%		
Winchester Project ML30587 (application)	Northern Territory, Australia	100%		
Geolsec Project ML27362	Northern Territory, Australia	100%		
Ashburton Downs Project: E08/2115 E08/2307 E52/2724	Western Australia, Australia	100% 100% 100%		
Bobrikovo Project BKB169 4420381100646545 1589 27304101	Ukraine	100% 100% 100% 100%		
Farm-in agreements/Tenements	Location	Held at end of quarter	Acquired during quarter	Disposed during quarter
none				
Farm-out agreements/Tenements	Location	Held at end of quarter	Acquired during quarter	Disposed during quarter
none				



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

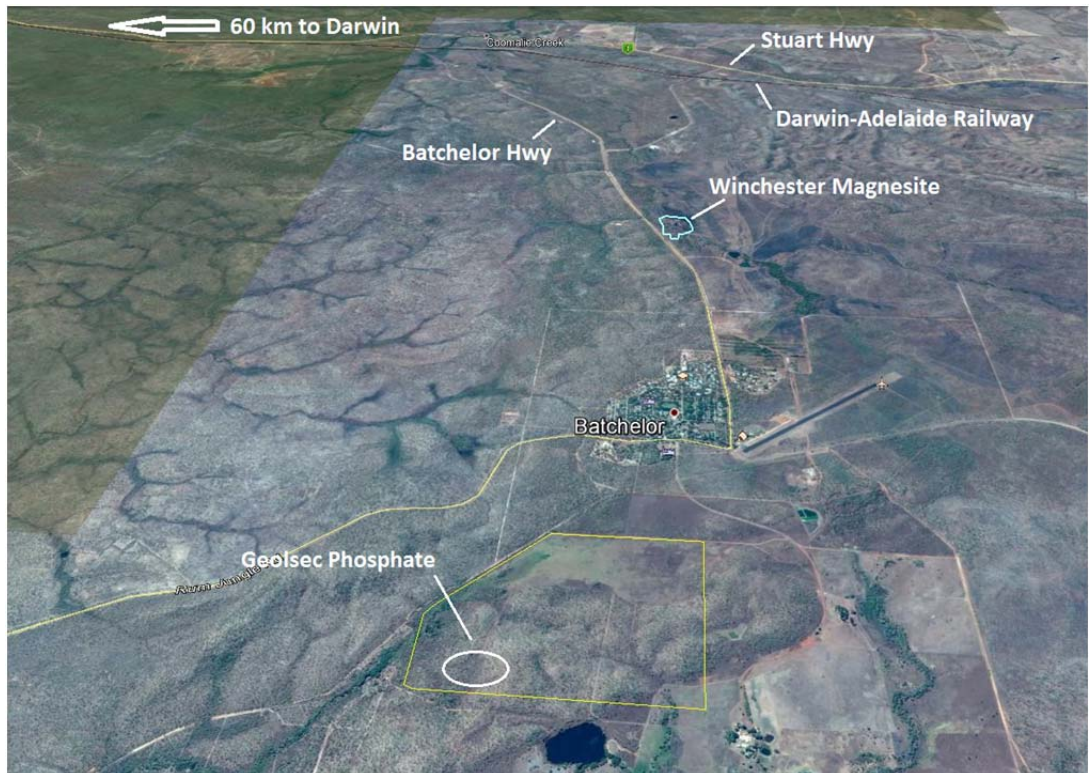


Figure 2 Location of Geolsec and Winchester relative to local infrastructure, roads and rail



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Figure 3 Strategic location of Darwin port



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