



KORAB RESOURCES LIMITED

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www.korab.com.au

Tuesday, 17 May 2011

OPERATIONS UPDATE

GEOLSEC, PHOSPHATES, RARE EARTHS, POLYMETALLIC DRILL TARGETS

Korab is pleased to provide the following update regarding Geolsec Phosphate Operations P/L and upcoming work programs targeting additional phosphate, uranium, rare earths, and polymetallic mineralisation at Batchelor and Green Alligator projects located near the town of Batchelor in the Rum Jungle mineral field 70km south of Darwin.

DRILLING PROGRAMS

During the Northern Territory wet season Korab has been evaluating results of field exploration programs completed in prior years. The 2010/2011 wet season had a record rainfall and as a consequence, the low lying ground around Batchelor is likely to become accessible to heavy equipment no earlier than June. Following our review of data produced by previous field exploration programs, Korab plans to commence reverse circulation and diamond drilling around Batchelor in June/July this year.

Exploration program will include drill holes within and around Geolsec phosphate deposit. The aim of this part of the program will be to increase phosphate inventory and to test phosphate, uranium and rare earths anomalies located nearby. Uranium Australia Limited, which has uranium joint venture with Korab over the Batchelor and Green Alligator projects, will contribute to the costs of this part of the program. This will result in cost savings for both companies.

In conjunction with the program targeting phosphate, uranium and rare earths, Korab plans to drill-test nickel, titanium and base metals anomalies which are located within Batchelor and Green Alligator projects and which were reported to the market in 2010 and early 2011. All parts of the drilling program are currently being finalised and are expected to be lodged with the Department of Resources shortly.

PHOSPHATE ROCK DEVELOPMENT

Negotiations regarding the two off-take agreements for bulk sales of phosphate rock reported on 24 December 2010 and 4 February 2011 are still incomplete. Nonetheless, subject to receiving all required permits and approvals, Geolsec intends to commence quarrying of soft phosphate rock this calendar year.

Un-processed rock suitable for direct application to pastures and fruit plantations sells for between AU\$600 and AU\$800 per tonne (wholesale) and between \$1,000 and \$1,300 per tonne (retail). This is substantially higher price than the prices paid for phosphate rock suitable for processing into phosphoric acid and soluble fertilisers (AU\$150-AU\$180 tonne).

Geolsec's indicative cost for the production of soft phosphate rock are as follows:

- Indicative operating cost for un-processed, un-ground phosphate rock ~ \$30 per tonne.
- Indicative operating cost for un-processed, ground-up phosphate rock suitable for direct application ~ \$70 per tonne in 1 tonne bulk bags and ~ \$100 per tonne in retail-size 15-20 kg bags.

Whilst the near-term, substantial cashflow from low-priced bulk sales under the potential off-take agreements is very attractive, and Korab continues to pursue this avenue, we are also cognisant of the fact that the direct application market is considerably more lucrative and is offering much larger profit margin. Therefore Korab's preference would be to channel greater proportion of Geolsec

ASX
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Last price
AU¢ 21

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Last price
€ 0.15

Issued capital
88 million shares

Market capitalisation
AU\$ 18 million
€ 13 million



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phosphate rock into the more profitable direct application market rather than sacrifice higher profit margin for the sake of higher volumes achieved at much lower prices.

Should the negotiations for the offtake agreements with bulk buyers be successfully completed in time, Korab intends to commence sales of phosphate from Geolsec to overseas bulk buyers and to direct-application domestic and international market at a combined annual rate of approximately 200,000 tonnes. Should the negotiations with overseas bulk buyers not be completed in time, Korab intends to commence sales to the direct-application market in Australia and overseas at a lower annual rate but at a higher average price per tonne. Required permits and approvals have not yet been secured.

We recently became aware that there have been rumours circulated among investors that Geolsec phosphate deposit is located within Litchfield National Park and therefore mining lease will not be granted. Geolsec deposit is located approximately 10 km from Litchfield National Park (see diagram below) and is on a granted mining lease ML27362. Furthermore, Geolsec deposit is located 3 km from the regional centre of Batchelor in close proximity to the Darwin port allowing for easy access to most ports in Asia and Australia. Local infrastructure includes road, rail, high-voltage power, potable water and piped gas. Korab is intending to develop the Geolsec deposit as a simple quarrying operation with low environmental impact and low operating costs using local contractors. Since no chemical processing of phosphate rock is involved and all basic infrastructure is in place, the CAPEX and start-up costs are estimated at between \$200,000 and \$300,000.



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ABOUT KORAB RESOURCES LIMITED

Korab Resources Ltd is an Australian mining and exploration company based in Perth with operations in Australia and Europe. Korab's quarrying and mining projects include rock phosphate and magnesium. The company also manages exploration projects in Western Australia and the Northern Territory where it is exploring for phosphates and associated minerals (including rare earths), nickel, base metals and iron ore. More information about Korab's projects can be sourced from our website at www.korabresources.com.au Korab's shares are listed on Australian Securities Exchange (ASX) and trade on ASX and on the Berlin Stock Exchange (Berliner Börse).

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