



KORAB RESOURCES LIMITED

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31 July 2012

ACTIVITY REPORT FOR THE QUARTER ENDING 30 JUNE 2012

HIGHLIGHTS

BOBRIKOVO GOLD AND SILVER PROJECT

- Additional land for construction of processing plant, additional ore storage pads, tailings dumps, office infrastructure and additional water bores secured at the Bobrikovo project.
- Commenced update to the JORC mineral resource statement to include drilling and trenching exploration data for recently secured additional ground surrounding Bobrikovo mine.
- Design work on upgraded gravity-based processing plant and updated mine plan is nearing completion.

MELROSE GOLD PROJECT

- Assays from diamond drilling at Melrose project show high grade gold.
- Favourable metallurgical and coarse grind leaching testwork results at Melrose gold project received.

ASHBURTON DOWNS COPPER AND GOLD PROJECT

- Significant new copper complex in the Ashburton Basin, 25km south of Paraburdoo in Western Australia.

CORPORATE

- Board resolved to offer all shareholders a loyalty option at a subscription price of 0.1 cents per option, with a 25 cent exercise price.

OPERATIONS – EXPLORATION AND DEVELOPMENT

BOBRIKOVO GOLD AND SILVER PROJECT (68% KORAB)

Work on the final technical drawings for the redesigned processing plant at the Bobrikovo gold project progressed during the quarter and is now close to completion. The processing plant has been redesigned to make it more efficient and to achieve substantial reductions in equipment and construction costs. During the September quarter Korab is expecting to put supply of the equipment and construction of the plant and ancillary infrastructure to tender. The plant will have a capacity to



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process 120,000 tons of a mixed high and medium grade ore per annum. It will produce a gold and silver concentrate which can then be sold to smelters. The other alternative is for the concentrate to be processed on site should Korab decide to build a small smelter at the mine site.

During the quarter, Korab obtained a large amount of exploration data, including drill logs and assay results from drilling, trenching and bulk sampling for the recently secured additional exploration ground surrounding the mine. Korab has commenced the process of incorporating this information into the previously compiled data base, with the aim of updating the JORC compliant resource for Bobrikovo project. Bobrikovo currently contains a JORC compliant resource of 20 million tons at an average grade of 1.55g/ton, for 1,012,000 ounces of gold (see appendix A).

MELROSE GOLD PROJECT (96% KORAB)

During the quarter Korab received results from assay tests on core samples from the diamond drilling program completed at its Melrose project in the December 2011 quarter.

Geochemical analysis of the core samples (reported in May), revealed high grade gold was intercepted over several intervals, including 16.40 g/t gold over 1m in hole DD005 from 52m, at the Bungarra deposit, and 13.05 g/t gold over 1.7m in hole DD001 from 32.7m, at the Boundary deposit.

In July, Korab received the final batch of assays from the drill holes, which included best intercepts at DD005 of 7.16 g/t gold over 1m at end of the hole (from 119m) and 3.16 g/t gold over 1m from 112m.

During the quarter, composite samples from the Bungarra deposit (hole DD001) and the Boundary deposit (hole DD005) commenced extensive leaching and cyanidation testwork program to ascertain viability of combined open-cut bulk mining and low-cost heap leaching gold production operation at Melrose

Initial metallurgical and cyanide leaching results revealed excellent recovery rates, at more than +99% gold recovery after 24 hours.

Testwork continued into July 2012, which included average gold recoveries from 25mm coarse crush testwork of +81% after 120 hours at the Bungarra deposit. Testwork at the Bungarra deposit to date has confirmed excellent recovery rates at a crush size of 25 mm, 15 mm and 8 mm with low consumption of lime and cyanide, indicating that the deposit may be amenable to low-cost heap leach processing.

Coarse crush testwork on samples from the Boundary deposit and column leach testing is expected to be completed in the September quarter.

Upon completion of these tests, Korab will evaluate the potential to develop the Melrose project as a low cost bulk mining and heap leaching operation. The Melrose project contains JORC Code compliant mineral resource of 340,000 ounces of gold in 6.5 million tons of ore grading average of 1.61 g/t Au (see Appendix B).

GEOLSEC PHOSPHATE PROJECT (100% KORAB)

During the quarter, Korab continued to progress work on securing required permits and approvals for commencing quarrying operations at the Company's Geolsec phosphate deposit. The presence of uranium in some parts of the deposit, which was reported on 15 October 2010, has added



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complexities to the quarry operations and the permitting process, resulting in delays. However, Korab remains confident this is unlikely to affect the granting of the required permits and approvals.

Korab has continued discussions with a number of local and overseas phosphate buyers interested in securing supply of phosphate from the Geolsec project. Korab has also been approached by local and overseas companies seeking joint venture arrangements with Korab to develop the project. No binding decision has been made at this stage and there is no certainty that an off-take agreement, sale or joint venture transaction will result from any of these discussions.

WINCHESTER MAGNESIUM PROJECT (100% KORAB)

The Company has commenced work on a review and update of a feasibility study that was previously completed on this project in 2001 by a Bateman/Multiplex Joint Venture.

The project has previously been taken through the feasibility study stage including mine planning and design, preparation of environment impact statement, design of process flow chart, design of the processing and crushing plant, test mining, construction of pilot processing plant and production of magnesium. These feasibility studies indicated that the optimal size for stage one of the plant was a 14MW furnace with an annual capacity of 12,500 tons. The estimated capital cost of stage one, including mine infrastructure, calciner, 14MW furnace, condenser and necessary ancillaries, was \$76 million. Stage two of the plant would increase annual capacity to 25,000 tons while stage three would add a further 50,000 tons per annum.

Bateman Engineering has been engaged to update the feasibility study. It is too early to take the view on the likely results of the update.

The Winchester magnesite deposit is located within the Batchelor project, 70km south from Darwin in the Northern Territory, with access to excellent basic infrastructure and logistics such as rail, gas, a sealed highway, and high voltage power. Previous drilling at Batchelor to a depth of 100m outlined a high grade zone of magnesium mineralisation 7.5km long and 500m wide. Mineralisation is open at depth. Close spaced drilling over the area 550m by 300m, which covers less than 5% of the mineralised zone, outlined an indicated resource of 12.2Mt at 43.1% MgO and an inferred resource of 4.4Mt at 43.6% MgO.

ASHBURTON DOWNS COPPER AND GOLD PROJECT (100% KORAB)

Collation and interpretation of historical exploration results was completed by Korab during the quarter, revealing a significant new copper complex in the Ashburton Basin. Korab's Ashburton Basin project includes North Mount Elephant, Green Elephant, East Elephant, and Mount Elephant.

The review of material historical exploration results found:

- Green Elephant copper anomaly covers two square kilometres, with 970,000 square metres of visible copper mineralisation, with multiple assays grading 5 per cent to 20 per cent copper.
- Green Elephant – Green Kangaroo complex includes 300,000 square meters of cuprous outcrop, with multiple assays over 5 per cent and four trenches of over 10m length each averaging greater than 5 per cent copper.
- Up to 45 per cent copper assays in rock chip samples at Mount Elephant, with multiple assays grading between 2 per cent to 19 per cent copper.



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- Rock chip samples delivering copper values of over 20 per cent and gold grades of over 10 g/t at the North Mount Elephant anomaly.

Korab has received approval for a drilling program which will aim to test some of these drill-ready anomalies at depth. The Company is also planning a helicopter electromagnetic survey to target conductors at depth, which will assist in delineating additional discrete drilling targets.

The Company is evaluating the potential of a joint venture on this project with a larger copper Company, which would allow Korab to concentrate on projects which are closer to production.

OPERATIONS – CORPORATE

The majority of Korab's funding during the past few years has been devoted to the Company's Bobrikovo project, and development at Bobrikovo remains a priority.

In meeting future project development capital requirements, the Company is considering potential options in choosing to realise part of the inherent value of the Company's extensive project portfolio. This could see a reduction in Korab's exposure to one of its projects in exchange for a substantial capital injection that would be channelled into ongoing development in other areas of the Company's portfolio, without excessive dilution to shareholders.

LOYALTY OPTION

During the period, Korab's Board resolved to offer all Korab shareholders a loyalty option, on the basis of 1 loyalty option for every 3 Korab shares held on the record date. The loyalty option was determined to have an issue price of 0.1 cents per option, in order to allow maximum take-up by existing shareholders, with a 25 cent exercise price and expiring two years from the date of issue.

The funds raised will be used to cover the costs of the offer, as far as possible, with the options providing a platform for a potentially significant future injection of capital, should they be exercised. The loyalty option offer is intended to give investors an opportunity to participate in the future upside of the Company as it progresses the asset development strategy.

Korab issued a loyalty option prospectus subsequent to the end of the quarter, on 19 July 2012.

MEETING TO RATIFY SHARE PLACEMENT

Subsequent to the June quarter, Korab issued a notice of meeting advising shareholders that a meeting would be held on 6 August 2012. At the meeting, shareholders will vote to ratify the previous issue of 13,200,000 shares by way of a placement to sophisticated investors, at an issue price of 13.5 cents each, raising \$1,782,000 before the costs of the issue, made on 30 March 2012 and 10 April 2012.

REVIEW OF ENERGY ASSETS

During the three-month period Korab continued to review a range of energy assets including metallurgical coal, anthracite grade coal, gas and oil. These assets are located in Ukraine and the Russian Federation. As yet, no decision has been made regarding these assets.

Korab will provide an update to shareholders when a decision on these assets has been made.



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Competent Person: The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Andrew Hawker, who is an independent geological consultant and is a member of The Australasian Institute of Mining and Metallurgy. Andrew Hawker has more than 5 years experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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'. Andrew Hawker consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Location of Korab's Projects



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APPENDIX A

Bobrikovo Project – the Bobrikovo deposit resource estimate is as follows (above 0.5g/t):

Mining Lease					
(Above 0.5 g/t cut-off)					
Category	Zone	Ore Mass (t)	Grade (g/t)	Au (t)	Ounces
Measured	Oxide	1,660,326	2.05	3.408	109,614
	Fresh	-	-	-	-
	Subtotal	1,660,326	2.05	3.408	109,614
Indicated	Oxide	182,641	3.13	0.571	18,353
	Fresh	3,927,725	2.75	10.789	346,918
	Subtotal	4,110,366	2.77	11.360	365,271
Inferred	Oxide	217,322	0.70	0.152	4,883
	Fresh	14,257,912	1.16	16.559	532,454
	Subtotal	14,475,234	1.15	16.711	537,337
Grand Total		20,245,926	1.55	31.479	1,012,222

APPENDIX B

Melrose project – the Melrose deposit resource estimate is as follows (above 0.5g/t):

Category	Tonnes	Grade g/t Au	Gold Ounces
Measured			
Boundary	652,154	1.73	36,262
Indicated			
Boundary	2,662,763	1.73	148,506
Inferred			
Boundary	703,209	1.36	30,822
Bungarra	2,144,332	1.56	107,385
Stirling	404,000	1.31	17,000
Total Resource	6,566,458	1.61	339,975

