



# KORAB RESOURCES LIMITED

KORAB HOUSE

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

## SHARES

ASX: KOR

Last price: AU\$ 5.8

BERLIN: C6S.BE

Last price: € 0.04

## OPTIONS

ASX: KORO

Last price: AU\$ 0.4

Thursday, 31 July 2014

## QUARTERLY ACTIVITIES REPORT TO 30 JUNE 2014

### KEY POINTS

- MARKETING OF PHOSPHATE ROCK FROM GEOLSEC PROJECT
- DSO POTENTIAL OF WINCHESTER MAGNESITE PROJECT
- POTENTIAL TO COMMENCE EARLY PROCESSING OR SALES OF ORE FROM BOBRIKOV PROJECT

This is a quarterly activities report for the period from 1 April 2014 to 30 June 2014 by Korab Resources Ltd ("Korab", or "Company") (ASX: KOR) and its subsidiaries ("Korab Group").

### OPERATION – CORPORATE

On 7 May 2014 Company announced a placement of shares to an unrelated exempt investor under section 708 of the Corporation Act. The placement price was at 14% premium to the last price traded prior to the placement.

### OPERATIONS – EXPLORATION, EVALUATION AND DEVELOPMENT

Marketing of Rock Phosphate from Geolsec Project (Northern Territory)

On 30 May 2014, 20 June 2014 and on 29 July 2014; Korab updated the market regarding the progress of the marketing of the of the Geolsec rock phosphate ("RP" or "phosphate") after the receipt of the permit to mine (which was announced to the market in January 2014).

On 30 May 2014 Korab advised that it was in receipt of an unsolicited enquiry from one of the major Asian phosphate buyers and distributors for a supply of rock phosphate from Geolsec at a rate of 225,000-250,000 tonnes per year of direct shipping phosphate rock over a multi-year period.

On 20 June 2014 Korab advised that it has agreed to provide the above potential buyer with sample of the phosphate rock for testing (at their expense). The sample was being prepared and was expected to be shipped shortly.

On 29 July 2014 Korab advised that it has received additional request for samples to be provided to four additional domestic and overseas users and distributors. As a consequence of these additional requests Korab has amended the process of providing the samples. The Company advised that it expected to complete the process during the week of 4-8 August and that this amended program will accommodate the requests for samples received to date and will also provide material for additional samples that may be required in the near future.

Also on 29 July 2014, Korab advised that one of the major Asian phosphate buyers and distributors mentioned above has requested Korab to provide quotation on additional supplies of bulk rock phosphate for another of their clients who is planning to buy annually around 3.2 million tonnes of bulk phosphate rock. Korab further advised that this client also requested samples of rock for testing. Korab advised that it was preparing the quotation and that it expects to provide it to the potential buyer during the week commencing 4 August 2014.



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Korab also advised that in addition to the above potential multi-year sale agreements, Korab is working on a Framework Agreement to Supply Rock Phosphate submitted by Korab Group to another potential buyer. The agreement is still being worked on and some of the terms still need to be resolved. The Agreement envisions supply of up to 20,000 tonnes of RP per annum for 3 years with an option to renew for further 3 years.

Korab will advise the ASX regarding the progress of the marketing of the phosphate as and when required.

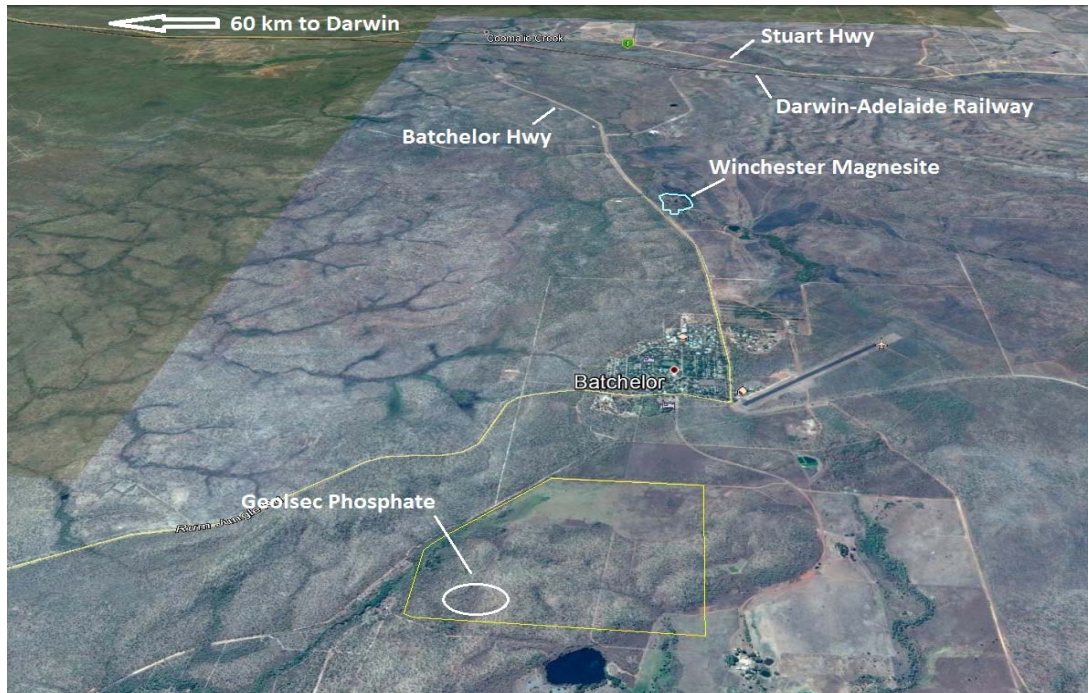


Figure 1 Geolsec's location near Batchelor. Deposit is close to a highway, rail, water, gas, and power. This makes the Geolsec arguably the best located rock phosphate project in Australia.

### About Geolsec Phosphate Project

Location of the Geolsec project, just south of the port of Darwin and within a short distance to majority of Asian ports (see Figure 2) 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 to Ord River agricultural region, Queensland, NSW and Victoria, Geolsec has excellent access to the main agricultural regions in all Australian states (see Figures 1 and 2)

The primary target markets for the sales of the direct shipping phosphate rock, ground-up phosphate rock and phosphate rock blends are plantations and pastoralists around Darwin (NT), mango growers in Ord River (WA), as well as organic farmers in SA, Eastern States and WA and Asian distributors and end users. Geolsec aims to supply environmentally-friendly organic fertiliser to the agricultural sector in the Northern Territory and beyond and thus support expansion of sustainable agriculture. Geolsec direct application RP 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 RP and rock dust 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](http://www.korabresources.com.au/geolsec)



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Geolsec rock phosphate deposit is located approximately 3km west of the town of Batchelor and approximately 70km from Darwin. The project is accessible by sealed road all year round and is located near trans-continental highway linking Darwin with Adelaide, the national rail and road network, high-voltage power and a gas pipeline giving it the best logistics of any phosphate rock project in Australia. The deposit outcrops on a hill with no pre-strip required and can be mined using a low-cost open cut method.

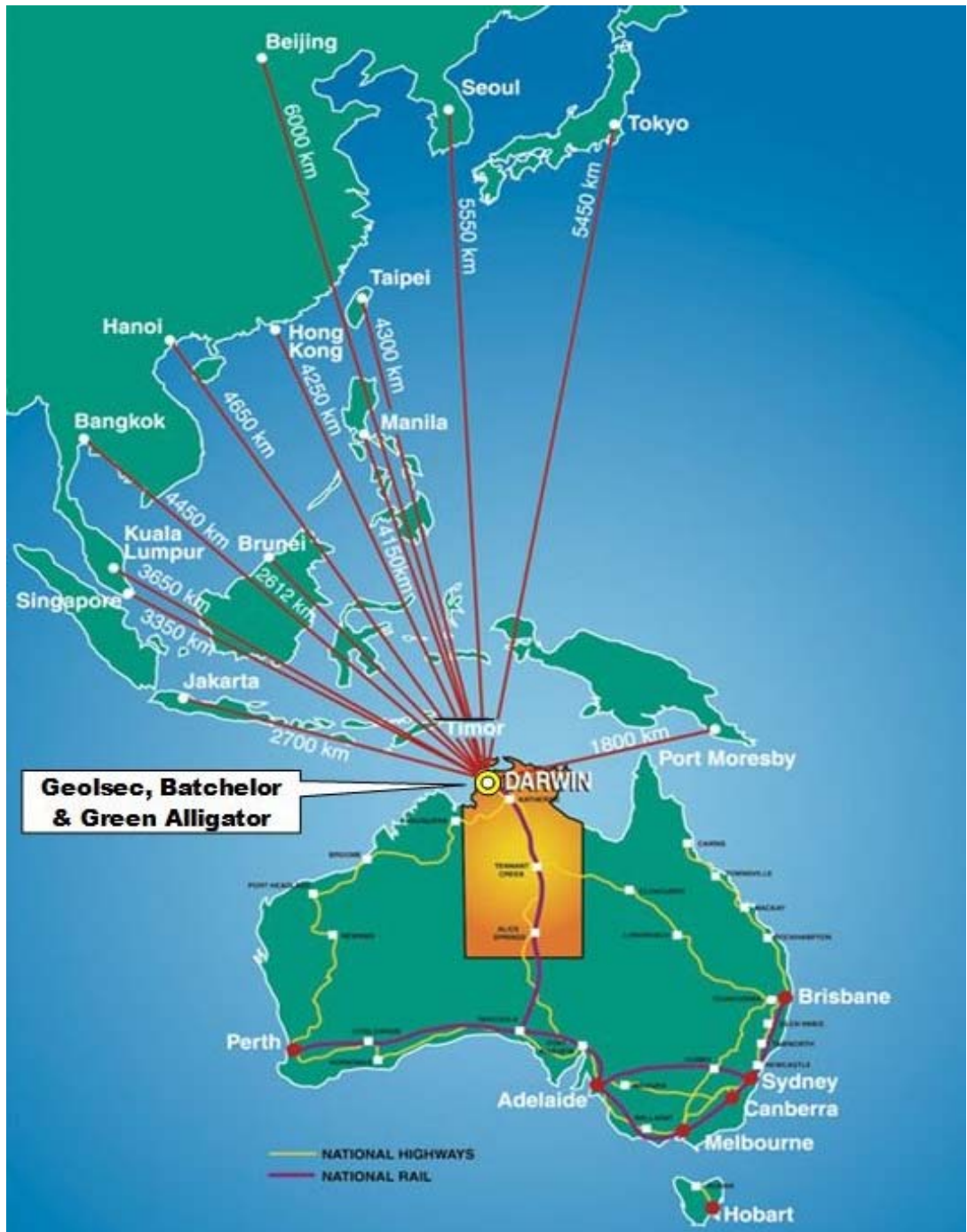


Figure 2 Location of Geolsec and Batchelor Projects



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#### Direct Shipping Ore (DSO) Potential of Winchester Magnesite Deposit (Northern Territory)

On 30 May 2014, 20 June 2014 and on 29 July 2014; Korab updated the market regarding the progress of the evaluation of a proposal to establish magnesium oxide ("MgO") and MgO-based building material and prefabricated housing production facility to be located overseas within close shipping distance from Darwin. The proposed operation would be supplied with high-quality and high-grade raw magnesite from Winchester deposit and would take advantage of Winchester's close proximity to Darwin port. Winchester magnesite deposit is a shallow deposit that can be mined using open cut methods at a low cost.

Based on the preliminary results of the evaluation it appears that the Winchester magnesite deposit could support high volume/long life DSO mining operation. The conceptual pit design indicates that the pit depth would be 15m after 5 years of operation and 90m at the end of life.

On 29 July 2014 Korab advised that the review is progressing well and that the Company has engaged with additional parties involved in logistics support and infrastructure to continue the process.

It is envisaged that in addition to receiving market price for magnesite rock sold Korab might hold a minor equity stake in the above facility in exchange for providing guaranteed supply of high grade magnesite ore on a long term contract. The proposed operation would be supplied with high-quality, high-grade raw magnesite from Winchester deposit located near Batchelor (see Figures 1 and 2) and would take advantage of Batchelor's close proximity to Darwin port and shipping lanes.

The design of the open pit and the full design of the mine plan were completed by the previous owners of the deposit as part of their feasibility study to commence production of magnesium metal. In 2012 Korab engaged Bateman-Tenova to review and undertake an update of this feasibility study. The review had shown that DSO magnesite mine that would supply a processor based offshore would be profitable.

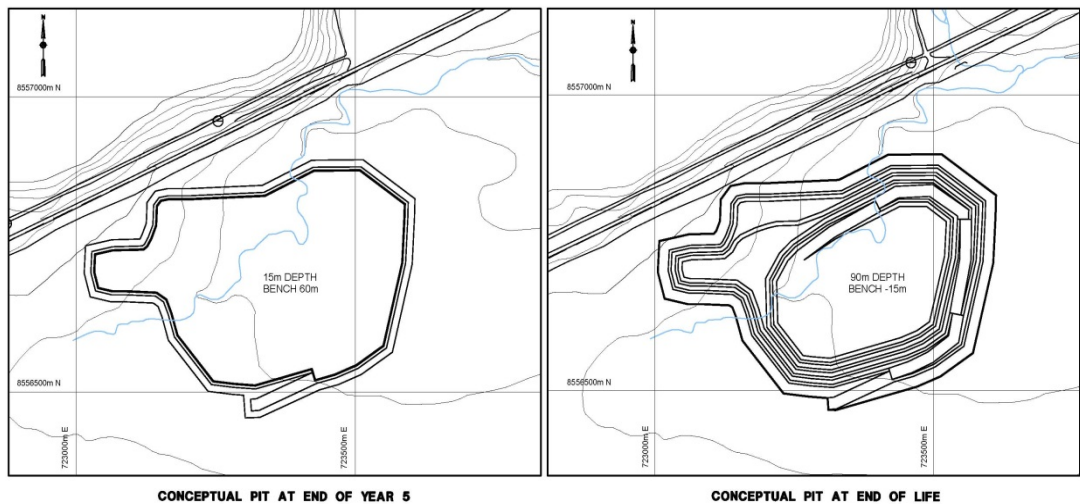


Figure 3 Conceptual pit design after 5 years and at end of mine life (Golder and Associates)

The review of the feasibility study and of the test mining of the magnesite at Batchelor (see Figure 4) have both shown that the mining costs would be at the lower end of the scale making this one of the lowest-cost DSO magnesite operations and therefore an attractive proposition with potentially significant profit margin. The review is continuing and ASX will be advised as and when required about the progress of this evaluation.



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Winchester magnesite deposit is a flat-laying, oval-shaped body which can be mined using open cut. It has a very low strip ratio as evidenced by the photo below showing test mining of magnesite ore (white rock). The deposit extends from about 6m depth down.



Figure 4 Test mining of magnesite at Winchester deposit. Crew standing on top of the magnesite mineralisation. Deposit has only few meters of overburden and a low strip ratio.

### Potential for Early Cash-Flow from Bobrikovo Gold and Silver Project (Ukraine)

On 30 May 2014, 20 June 2014 and 29 July 2014 Korab provided updates regarding the sales of ore and toll treatment of ore from Bobrikovo gold and silver project. On 29 July 2014, the Company advised that all terms have been finalised with respect to the potential sale of ore to unrelated third parties. Under this agreement, the third party will buy the ore at mine gate for a fixed price per gold contained and will be solely responsible for logistics, transportation and processing. Korab advised that the parties were awaiting completion of the sale documentation. Korab will advise ASX of the progress of this agreement as and when required.

In addition to the above sale of ore transaction, a second arrangement with another party was being negotiated (as discussed in the *"Operations Update"* released on 30 May 2014, 20 June 2014 and 29 July 2014). This arrangement envisaged that another third party would toll-treat the ore and would be paid for its services through a share of the gold recovered. This party would also be solely responsible for the logistics and the costs of transportation and processing.

These agreements are non-exclusive and can run in parallel. Each of these arrangements has a potential to result in Bobrikovo project starting to generate cashflow without cash outlay by Korab Group, and to allow Korab to realise the significant value locked in the stockpile of ore mined over the last 4 years by Korab Group and stockpiled on site.

The Company further advised that the cores from the drilling program - which was completed following the end of the March quarter and which was targeting potential extensions of near-surface high-grade gold and silver mineralisation discovered in historical drilling (details of which were released to ASX on 4 February 2013) - are still being processed and assayed. Results of the assays will be reported to the market as required and when available.



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### Batchelor Polymetallic Project (Northern Territory)

During the June 2014 quarter Korab Group continued studies of the data generated by Korab's field work completed over the past 4 years. The company also undertook additional field work to collect more data and ground proof some of the conclusions from the studies. Korab is planning a drilling program of up to 20 RC holes to test electromagnetic and geochemical anomalies in favourable lithologies comprising Proterozoic ultramafic and basic volcanic rocks. Korab's RC and diamond drilling of these rocks discovered low grade nickel, copper and cobalt mineralisation over wide intercepts.

### Ashburton Downs Copper and Gold Project (Western Australia)

Exploration and evaluation of the Ashburton Downs project continued during the quarter. Results will be announced to the market when available (if material). During the quarter, the Company received number of approaches from various parties regarding joint venture/s to explore this project. No agreement has been reached to date with any of these parties.

### 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](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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## 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%		
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 646545 2730 4101	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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