



KORAB RESOURCES LIMITED

KORAB HOUSE

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FPO SHARES

Issued: 202 mln

Market Cap: \$9 mln

ASX: KOR

Last Price: AU\$ 4.6

BERLIN: C6S.BE

Last Price: € 0.02

Wednesday, 16 March 2016

WINCHESTER MINE DEVELOPMENT PROGRESS UPDATE

We refer to the ASX reports dated 8 December, 2015, 12 January 2016, 29 January 2016, and 12 February 2016 which discussed a Memorandum of Understanding ("MoU") and collaboration between Korab Resources Ltd ("Korab", or "Company") (ASX: KOR), its wholly owned subsidiary AusMag Pty Ltd ("AusMag") and the interests associated with Chinese steel industry with regard to the funding and the development of Winchester magnesium carbonate mine located near Darwin in the Northern Territory.

As a matter of compliance with continuous disclosure obligations, Korab is very pleased to advise that it has received confirmation that the parties referred to above are eager to conclude the transaction with Korab group regarding a cash injection, provision of funding for the development of the Winchester mine, provision of funding for the construction of the calcination and other processing facilities in China to produce high grade magnesium oxide and fused magnesia, and the listing of AusMag. Furthermore, Korab would like to inform the market that Korab's Chairman, Mr. Andrej K Karpinski will be meeting with the above parties in Shandong in second half of March with the view to finalising the agreements.

INFORMATION ABOUT MAGNESITE MARKET AND WINCHESTER MAGNESITE DEPOSIT

Winchester magnesite mine is being developed by Korab's subsidiary AusMag to initially produce high grade DSO magnesite to supply producers of magnesium oxide, refractories and other users. There are also plans to produce high grade magnesium oxide in addition to magnesium carbonate at the second stage of operations.

Location, grade, logistics and other characteristics of this deposit offer unparalleled advantages compared to other magnesite sources (see Figure 1, Figure 2, Figure 3, Figure 4, and Figure 7). The Winchester magnesite mine has very attractive economics with \$395 mln in aggregate earnings before tax over mine life and long-run annual earnings of \$32 mln/year (at 800kt/year of magnesite rock sales). The capital and start-up costs of magnesite production are estimated at around \$4 mln (including mine costs of approximately \$1.2 mln and a contingency of just under \$1mln). For more information see page 2.

Market for magnesium carbonate (magnesite) has been growing at a strong historical trend rate over several decades with the trend pointing to yet higher consumption over coming years (see Figure 9). The main uses for magnesite is in production of various types of magnesium oxides. Magnesite is also used to produce magnesium metal which is the lightest of all metals, being about two-thirds lighter than aluminium but stronger than steel. Magnesium is non-toxic, non-magnetic, has high-impact strength and is resistant to denting.

The main sectors where magnesium oxide is used include refractory bricks which are used to line steel and iron furnaces; production of flame retardants; production of fire resistant and moisture resistant building materials like mag wall, MgO board and mag cement; production of magnesium alloys used extensively in cars, airplanes, tanks, APC-s and other defence uses; hydrometallurgy, primarily for nickel and cobalt production; water purification and soil treatment and feedstock.

Experts expect that the market for magnesium carbonate will continue to expand due to the growth in all these sectors, however the potential game changer is the recent development of magnesium-ion batteries which have 8 to 12 times greater capacity than lithium-ion batteries and can be charged in



20 PROWSE STREET, WEST PERTH, WA, 6005, AUSTRALIA
PO BOX 1958, WEST PERTH, WA, 6872, AUSTRALIA
TEL (08) 9474 6166 FAX (08) 9322 6333
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as little as 36 minutes. Magnesium-ion battery's charge/discharge efficiency is 5 times higher than a lithium-ion battery. Another advantage of magnesium-ion batteries is their ability to perform at temperatures as low as -30°C and as high as +55°C whereas lithium-ion batteries cease to function at around -15°C. Additional benefit of magnesium-ion batteries is that they do not use graphite and consequently are not dependant on supply of this relatively expensive material.

The variety of uses and the relative size of the magnesite, magnesium oxide and magnesium alloys markets are of obvious benefit to magnesite producers. By way of comparison, the magnesium oxide market is approximately 40 times bigger than the lithium carbonate market and approximately 22 times bigger than the graphite market (see Figure 10).

The key determinant of the success of a magnesite project is the quality of its magnesium carbonate rock and its proximity to transport infrastructure. Winchester magnesite project has the advantage of being one of the highest grade magnesium carbonate deposits and also being located in close proximity to rail, roads, and a major deep sea port.

The deposit is a shallow, flat lying ore body which can be mined using open cut method, essentially as a quarry (see Figure 5, Figure 6, and Figure 7). 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. The Company confirms that all material assumptions underpinning the production target in that announcement continue to apply and have not materially changed. 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 with an aggregate EBITDA of \$395 mln over quarry life and attractive long-run annual EBITDA of \$32 mln/year (at 800kt/year of rock sales). The capital and start-up costs were estimated at around \$4 mln (including quarry costs of approximately \$1.2 mln and a contingency of just under \$1mln). 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. 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 85km south of the port of Darwin in the Northern Territory. 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 (see Figure 2, Figure 5, and Figure 7). It can be quarried at a low cost by open cut method.

This pre-feasibility study was based on the indicated mineral resource only. Current estimated mineral resources at Winchester, including both indicated and inferred categories, are shown in the following table:

Table 1 Mineral resources estimates

At 40% MgO Cut-Off	MgCO Mass (Tonnes)	MgO grade (%)
Indicated Resources	12,200,000	43.1
Inferred Resources	4,400,000	43.6
Total	16,600,000	43.2



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There has been no change to the Winchester mineral resource estimate since it was last reported in the Annual Report 2015. This information was prepared and first disclosed under the JORC Code 2004 on 17 July 2007. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The author of this report is not aware of any new information or data that materially affects the information included in the report released on 17 July 2007 and, in the case of mineral resources that all the material assumptions and technical parameters underpinning the estimates in the report released on 17 July 2007 continue to apply and have not materially changed. The form and context in which the findings of the report released on 17 July 2007 are presented have not been materially modified.

CONTACT:

Andrej K Karpinski, Executive Chairman - Australia: (08) 9474 6166, International: +61 8 9474 6166



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Figure 2 Location of Winchester proposed quarry relative to East Arm Wharf at Darwin Port

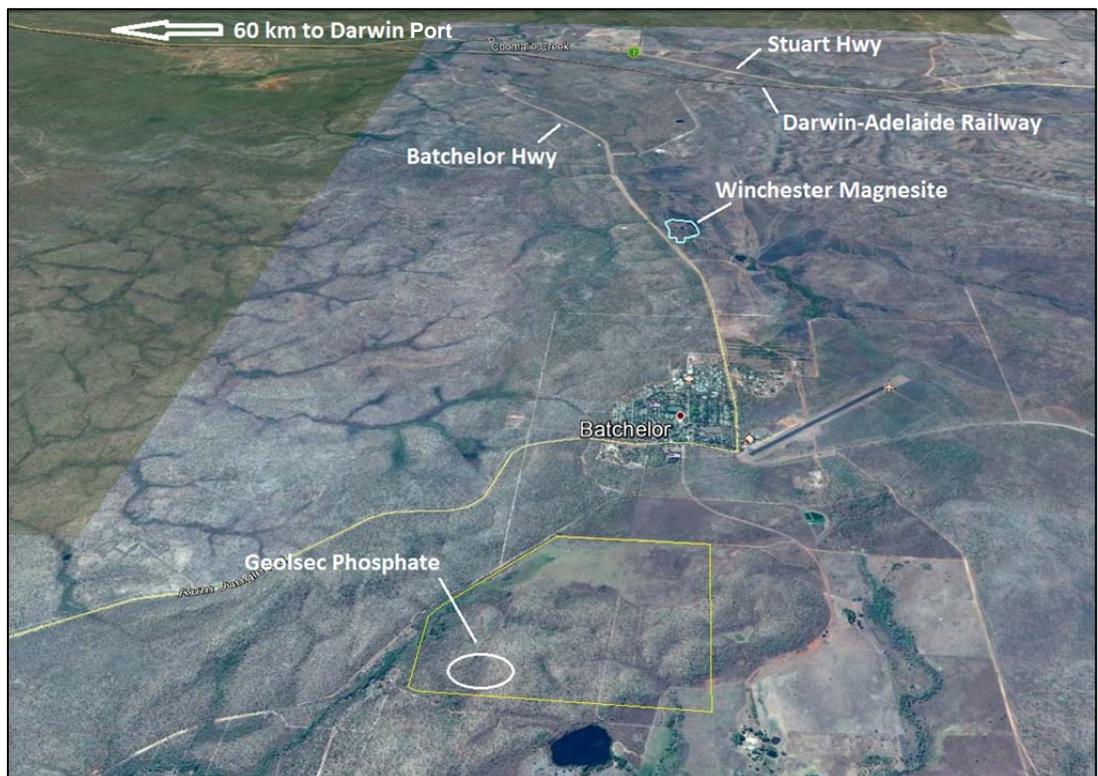


Figure 3 Location of Geolsec and Winchester relative to local infrastructure, roads and rail



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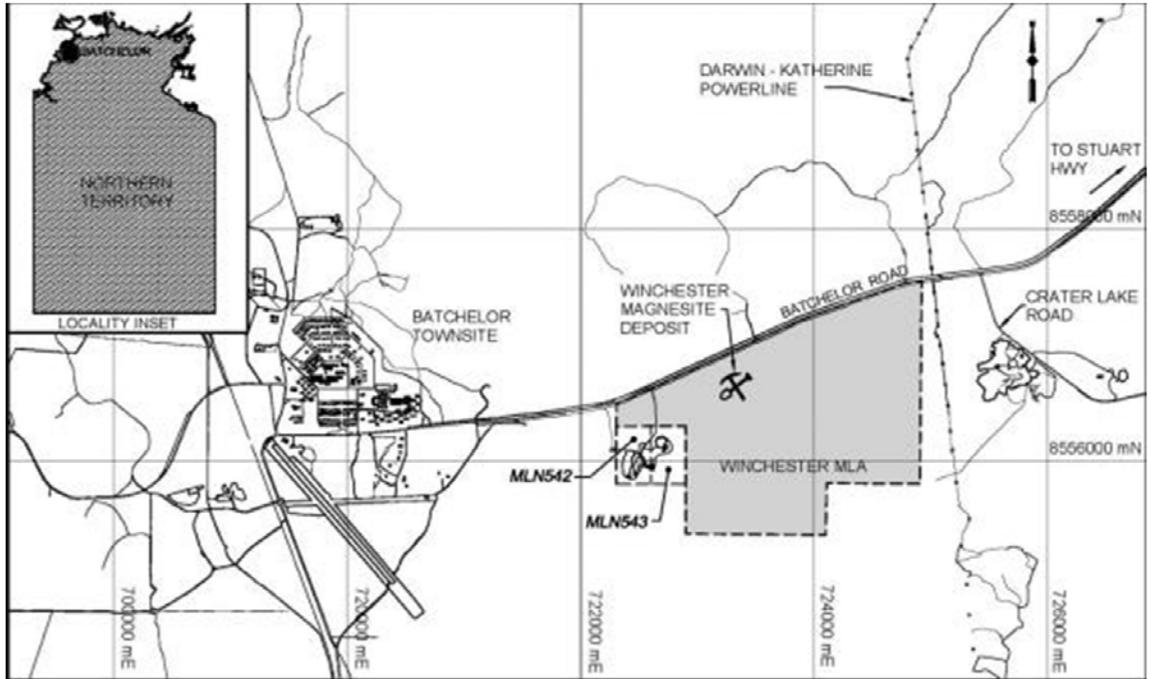


Figure 4 Site locality plan

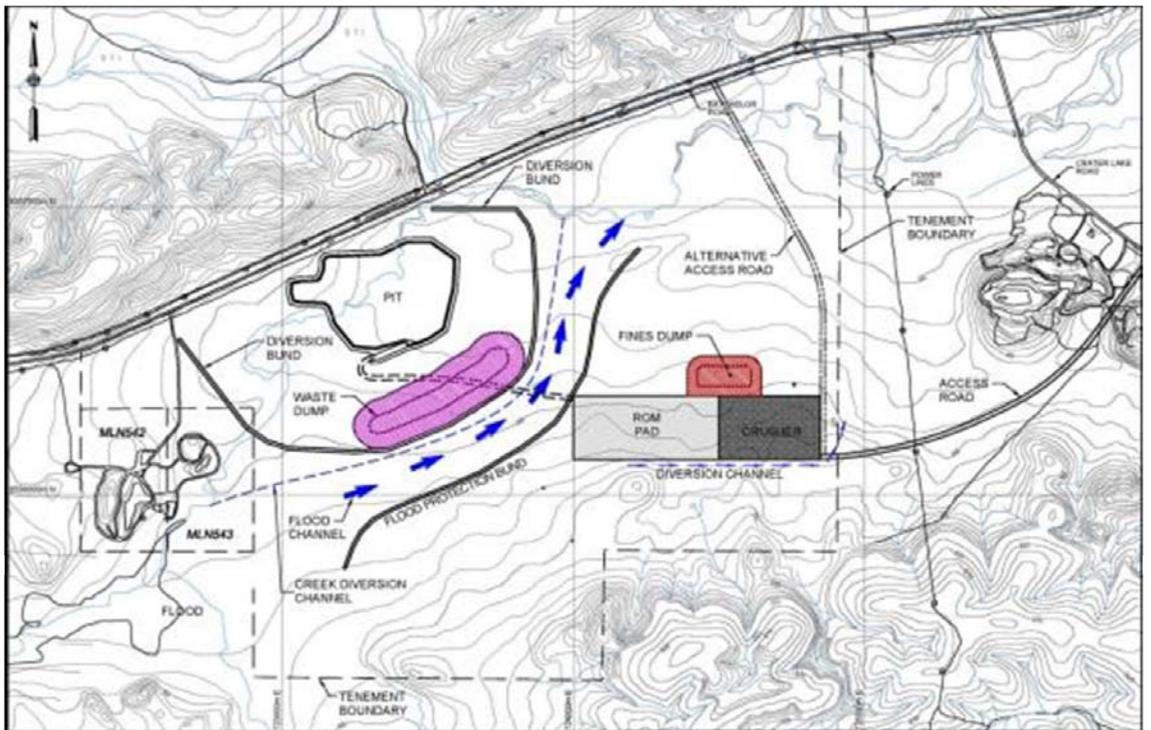


Figure 5 Conceptual layout at end of year 3 – bench-by-bench development variant



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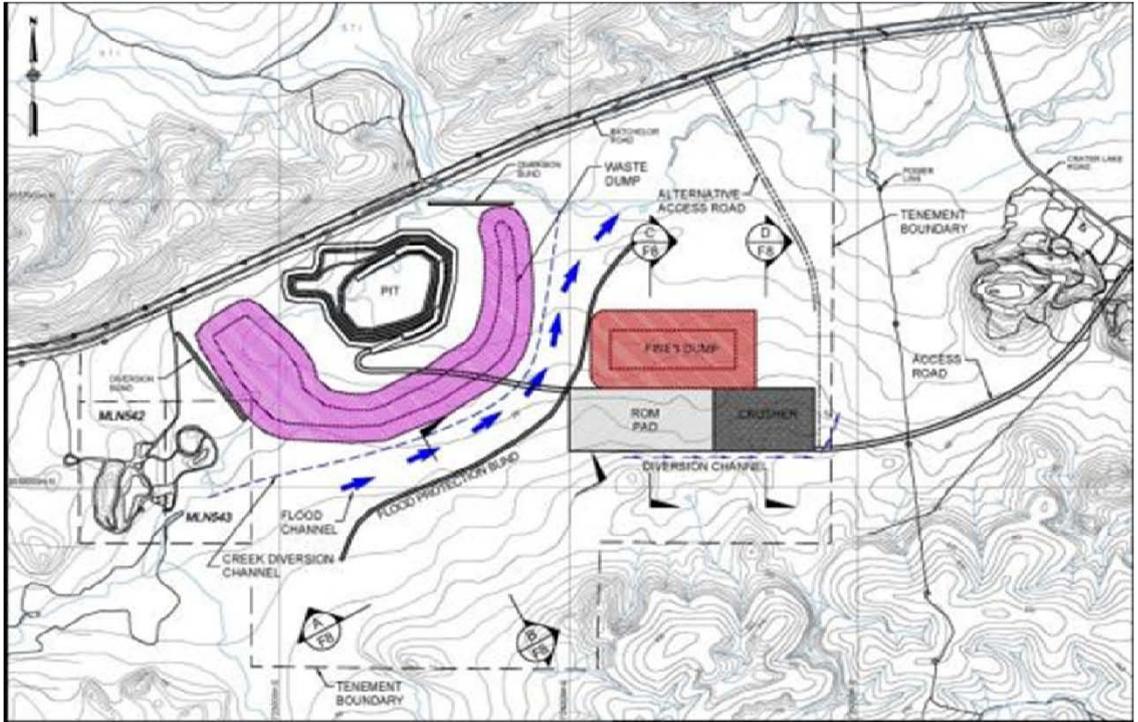


Figure 6 Conceptual layout at end of mine life – bench-by-bench development variant



Figure 7 Drill-blasting of exposed magnesite rock in the test pit during the wet season – notice very thin soil overburden



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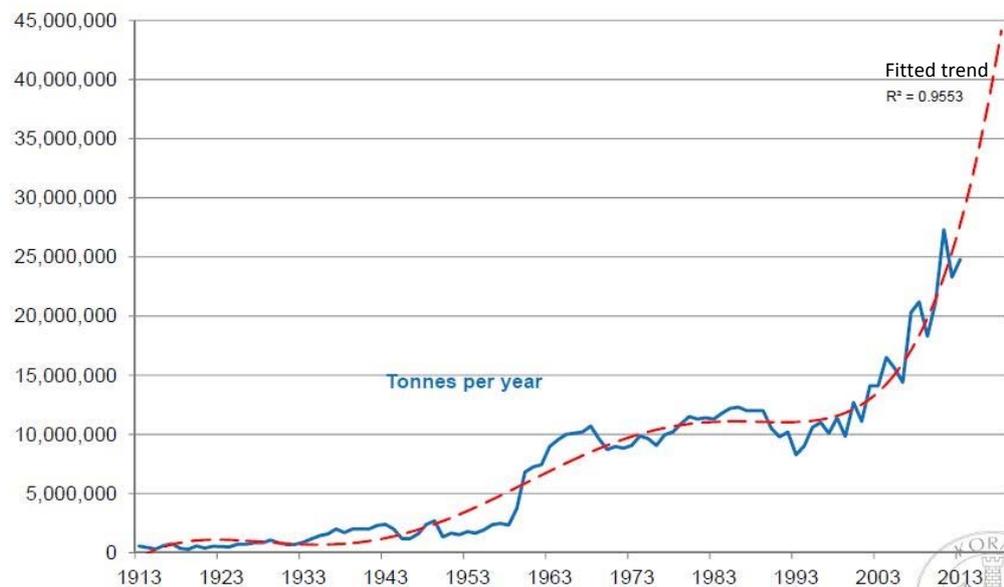
MgO pricing (1913 - 2013)



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Figure 8 Magnesium oxide price in US\$

World consumption of MgO (1913 - 2013)



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Figure 9 World consumption of magnesium oxide



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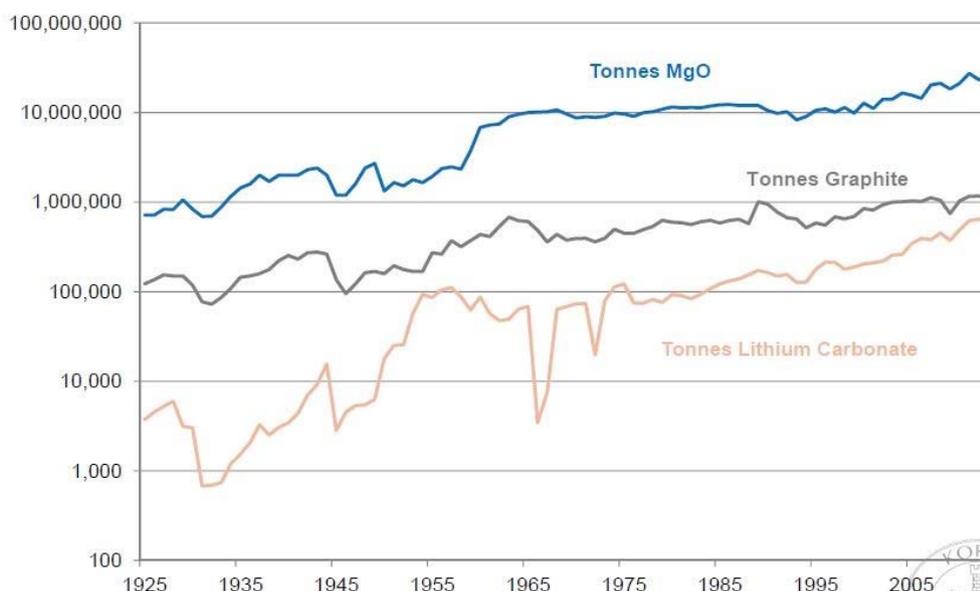
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Magnesite, lithium, graphite consumption



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Figure 10 Magnesite market vs lithium and graphite on logarithmic scale (each line represents 10-fold increase)

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 near 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 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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