



25 May 2015

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Dear Option Holder

Non-Renounceable Rights Issue

We write to advise that on 26 May 2015 Korab Resources Limited (ASX:KOR) (**Korab** or **Company**) intends to formally announce a non-renounceable pro rata entitlement issue of one share for every 3 shares held (**Rights Issue**).

As at the date of this letter, you hold options in unissued shares in Korab. The purpose of this letter is to advise you of the upcoming Rights Issue and to advise you that as an option holder you cannot participate in the Rights Issue (in respect of your Korab options) without first exercising some or all of your options prior to the record date, being 5:00pm (AWST) on 1 June 2015 (**Record Date**). If you do not wish to participate in the proposed Rights Issue (in respect of your Korab options) you do not need to take any action.

It is anticipated that the Offer Memorandum for the Rights Issue will be lodged with ASX on Tuesday, 26 May 2015 and will be available to download at www.asx.com.au using ASX code "KOR". **You are encouraged to read the Offer Memorandum fully before exercising any of your Korab options.**

Key Terms of Rights Issue

- The price payable for each new share is 3 cents and the Rights Issue will raise up to \$1,522,153 if fully subscribed (before costs and expenses).
- The Rights Issue is non-renounceable.
- The Rights Issue is partially underwritten up to \$600,000 by Rheingold Investments Corporation Pty Ltd, and any amounts underwritten may be used to reduce the debt owed by the Company to Rheingold Investments Corporation Pty Ltd.
- Any non-underwritten proceeds received under the Rights Issue will be applied towards the costs and expenses of the Rights Issue, working capital requirements and towards the reducing the debt owed by the Company.

Eligibility to participate

To be eligible to participate in the Rights Issue (in respect of your Korab options) you must exercise your Korab options and be registered (**with a registered address in Australia or New Zealand**) as the holder of the underlying Korab shares before **the Record Date** (being 5pm AWST) on Monday, 1 June 2015. To then accept the offer under the Rights Issue in respect of those underlying Korab shares, you will need to complete the application form that will accompany the Offer Memorandum to be sent to shareholders.

To exercise some or all of your Korab options you will need to give notice, in writing, to Korab in accordance with the terms and conditions of your options, and pay Korab the exercise price for each option exercised.

If you have any questions about the exercise of your Korab options and the Rights Issue, you should consult your stockbroker or other professional adviser or contact Andrej Karpinski on (08) 9474 6166.

Yours sincerely

A handwritten signature in black ink, appearing to read "Andrej Karpinski".

Mr Andrej K Karpinski FAICD FFin
Executive Chairman

KORAB RESOURCES LIMITED
KORAB HOUSE
20 PROWSE STREET, WEST PERTH, 6005, WESTERN AUSTRALIA
PO BOX 1958, WEST PERTH, WA, 6872, AUSTRALIA,
Tel (08) 9474 6166 Fax (08) 9322 6333
www.korabresources.com.au
ACN 082 140 252