



KORAB RESOURCES LIMITED

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7 February 2013

GOLD OPERATIONS UPDATE AND NEW STRATEGIC INITIATIVE

HIGHLIGHTS

- Korab commenced review of the development options for Boundary and Bungarra gold deposits at Melrose Project
- Potential for early start-up of gold production at Bobrikovo
- New company strategy to build and grow shareholder value expressed in ounces of gold
- Adoption of additional reporting methodology for reporting of gold production
- Board has resolved that shareholders may elect to receive any future dividends declared in gold via Perth Mint depository accounts, subject to a cap of 5% of gold produced by Korab in any financial year for all gold dividend payments

MELROSE PROJECT REVIEW

Korab Resources Limited ("Korab" or "the Company") (ASX:KOR) is pleased to provide this update regarding its gold operations.

Following the completion of the extensive metallurgical test work program on samples from the Melrose project, which confirmed amenability of the ore to heap leach gold extraction, Korab commenced the review of the development options for the project. Column leach testing showed very good-to-excellent gold recovery rates. 94.07% of contained gold was recovered after 32 days from the Bungarra deposit samples, whilst 76.03% of contained gold was recovered after 60 days from the Boundary deposit samples. In the first instance the Company will update the scoping study with the heap leach amenability test work results to assess the estimated capital expenditure and operating costs of a combined bulk mining and heap leaching operation. The results will be reported to the market when available.

The Melrose project is located 70km north east of Leinster in the Eastern Gold Fields of Western Australia, within the Mt. Fisher/Wanganoo greenstone belt (previously called Mt. Fisher/Dingo Range belt). The Melrose project consists of three deposits located in close proximity. Melrose mineral resource estimated in accordance with the JORC Code stands at 0.339 million ounces of gold in 6.5 Mln tonnes grading on average 1.61 g/t Au (see appendix A for detail). The deposits are open at depth and offer potential for additional mineralisation with more drilling.

BOBRIKOV PROJECT EARLY PRODUCTION POTENTIAL

In addition to the Melrose project, Korab holds Bobrikovo project which contains 2.04 million ounces of gold* estimated in accordance with the JORC Code. This mineral resource is currently undergoing upgrade to the resource estimate. The Bobrikovo project has a stockpile of oxide ore which has been mined for later processing using gravity based extraction process. Korab plans to build on site a purpose-designed extraction plant which has an estimated gold recovery of around 79%. The cost of the purpose designed processing plant will be approximately \$4 million. However, Korab has located suitable second-hand gravity circuits which could be acquired, refurbished, transported to site and commissioned for between \$500,000 and \$750,000 (**less than 460oz of gold at current gold price**). Metallurgical and mineralogical tests using ore from Bobrikovo suggest that the gold recovery using these second hand gravity circuits can be expected to exceed 50%. These circuits can process up to 20,000 tonnes per month which would translate into a production profile of approximately 1,000oz of gold in concentrate per month. This offers an attractive potential additional revenue stream at a



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relatively low capital cost. It also offers an opportunity to commence production from the ore already stockpiled on site and to generate early cash flow from sales of gold concentrate well in advance of the completion of the construction of the purpose-designed plant. The second hand gravity plants do not include crushers and milling equipment. However, Ukraine is a producer of very high quality crushers and mills and Korab has commenced discussions with Ukrainian companies to provide crushing and milling services on contract basis.

Korab is considering the second-hand plant not as an alternative to the purpose-designed plant but as an additional processing capacity which could offer dual benefits. The first benefit would be an early cash flow, well in advance of the completion of the construction and commissioning of the purpose-designed plant. The second benefit would be the ability to run the second-hand plant in parallel with the purpose-designed plant thus doubling the production rate at a relatively low capita cost. The market will be advised of the progress of this proposal.

NEW COMPANY STRATEGY TO BUILD AND GROW SHAREHOLDER VALUE EXPRESSED IN OUNCES OF GOLD

The board has acknowledged the disconnect between gold and gold equities; whilst Korab has over 2moz of gold in resources, at current gold prices the capitalisation of Korab is the equivalent of only 6,650oz. In an effort to address this mismatch Korab will endorse a new strategy aimed at building and growing shareholder value expressed in ounces of gold. The company has also decided to adopt an additional reporting methodology which will be used in parallel with the accounting standards applicable to financial reporting by ASX listed entities. Once Korab becomes a gold producer, in addition to "dollar" based reporting, Korab will report its production results in terms of ounces produced, and net ounces retained after cost of production. Profits from mining will, where applicable, be held in gold and together with the gold reporting should give management greater clarity and focus in regards to the new strategy of building and growing shareholder value expressed in ounces of gold. **The board sees this as an exciting initiative and a new era for Korab.**

GOLD DIVIDEND

In light of this new strategic direction, Korab has been reviewing how the company can provide shareholders with direct exposure to gold once the Company becomes a gold producer. After reviewing numerous alternatives the board has resolved that if and when a dividend is declared by Korab in the future, shareholders may elect to receive the dividend in gold. Korab shareholders who are eligible to receive a dividend and who make the election would receive the gold in a Perth Mint depository account opened on behalf of each electing shareholder for this purpose. This right to receive declared dividends in gold in lieu of cash remains subject to the Board's powers to pay a dividend under Part 2H.5 of the Corporations Act, total elections not exceeding 5% of the gold produced by Korab in any financial year, and electing shareholders agreeing to be bound by the terms of Perth Mint depository accounts. Where elections exceed this cap the dividend payments in gold would be scaled back on a pro rata basis and electing shareholders would receive a combined gold and cash dividend payment.

-ENDS-

FOR FURTHER INFORMATION, CONTACT:

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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 in excess of 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



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consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

APPENDIX A

BOBRIKOVO MINERAL RESOURCE STATEMENT (ABOVE 0.5 G/T AU CUT-OFF GRADE)

<i>Resource by category</i>					
At 0.5 g/t Au cut-off	VOLUME	ORE_MASS	AU_CONTENT	AU_MASS	AU_MASS
	[1000m3]	[1000t]	[g/t]	[t]	[Mln oz.]
Measured	664.130	1,660.321	2.053	3.409	0.110
Indicated	2,909.636	7,274.089	2.792	20.313	0.653
Inferred	11,263.358	28,158.399	1.412	39.749	1.278
Total	14,837.124	37,092.809	1.711	63.471	2.041

Totals may differ due to rounding

BOBRIKOVO MINERAL RESOURCE STATEMENT (ABOVE 2 G/T AU CUT-OFF GRADE)

<i>Resource by category</i>					
At 2 g/t Au cut-off	VOLUME	ORE_MASS	AU_CONTENT	AU_MASS	AU_MASS
	[1000m3]	[1000t]	[g/t]	[t]	[Mln oz.]
Measured	188.577	471.443	4.720	2.225	0.072
Indicated	1,289.213	3,223.033	4.559	14.694	0.472
Inferred	1,409.386	3,523.466	5.118	18.034	0.580
Total	2,887.177	7,217.942	4.843	34.953	1.124

Totals may differ due to rounding

MINERAL RESOURCE AT MELROSE PROJECT (ABOVE 0.5 G/T AU CUT-OFF GRADE)

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

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