



# KORAB RESOURCES LIMITED

KORAB HOUSE

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

31 January 2019

## QUARTERLY ACTIVITIES REPORT TO 31 DECEMBER 2018

This is a quarterly activities report for the period from 1 October 2018 to 31 December 2018 by Korab Resources Ltd ("Korab", or "Company") (ASX: KOR) and its subsidiaries ("Korab Group").

### OPERATIONS – EXPLORATION, EVALUATION, AND DEVELOPMENT

During the quarter Korab Group continued exploration and evaluation of its mineral assets, as well as the progression of the Winchester magnesium carbonate deposit to production.

#### Winchester Magnesium Carbonate Project (Northern Territory)

During the quarter Korab Group has been working on (among other activities):

1. Discussions, negotiations and meetings with potential buyers of raw magnesium carbonate rock, caustic calcined magnesia (CCM), and dead burned magnesia (DBM),
2. Permitting for the Winchester quarry,
3. Discussions and meetings with various stakeholders,
4. Meetings with potential contractors and suppliers,
5. Selection of the preferred quarry and haulage contractors and various suppliers,
6. Arranging the logistics and shipping of magnesium carbonate rock,
7. Arranging a permanent office in Darwin, and
8. Discussions with potential toll-processors regarding off-site processing of raw magnesium carbonate rock into CCM and DBM.

As reported to the market during the prior quarter on 12 September 2018, the Company intends to produce raw magnesium carbonate rock which will be crushed and screened on-site at the Winchester quarry, as well as high grade CCM, and DBM which will be processed off-site using toll-processing through kilns owned by third-parties. Consequently the production of CCM and DBM will not require additional capital investment.

The targeted volumes of production and sales of DSO magnesium carbonate rock and toll-processed CCM, and DBM as outlined in the report of 12 September 2019 have not materially changed. The Company confirms that all material assumptions underpinning the production target, or the forecast financial information derived from a production target, in the initial public report titled "ADDITIONAL INFORMATION - WINCHESTER MAGNESITE FEASIBILITY STUDY UPDATE" released to the market on 12 September 2018 continue to apply and have not materially changed.

The report released on 12 September 2019 can be accessed by copying and pasting the following link into your browser:

<https://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=02021411>

#### DARWIN OFFICE

On 29 November 2018 Korab reported that it is planning to open an office in Darwin to expedite the work on permitting and development of the Winchester project. The Company is currently finalising the arrangements for opening of permanent office in Darwin.

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Issued Shares: 309 Mln  
Last Price: 2.8 cents  
Market Cap: \$8.7 Mln

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BERLIN: C6S

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(Sub-leased to third party)

**Mt. Elephant  
(Ashburton, WA)**  
Au, Cu  
(Optioned for sale)

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### DARWIN PORT AGREEMENT

On 30 November 2018 and 4 December 2018 Korab reported that it has expanded the agreement with the operator of Darwin Port to 800,000 tonnes per year to allow for additional volumes of magnesium carbonate rock to be shipped for toll-processing. This rock will be shipped through Darwin Port in addition to DSO magnesium carbonate rock.

The agreement envisages exporting of up to 800,000 tonnes per year of magnesium carbonate rock through Darwin Port East Arm Wharf and includes sub-leasing of the land, access to various port facilities, use of loaders, and other equipment. HoA provides the basis for the of the final port agreement which will allow for shipping of the magnesium carbonate rock through Darwin port. The costs of, and the fees for the sub-leasing of the land, access to various port facilities, use of loaders, and other equipment have not yet been agreed between the Company and Darwin Port. They will be determined in the final port agreement.

East Arm Wharf is a multi-user facility with 4 berths spaced along 865 metres of quay line. Berth 2 is used for bulk ore exports and has a rail mounted dry bulk ship loader. The continuous length of wharf facilitates flexibility in berth allocations to visiting ships. East Arm Wharf can accommodate PANAMAX class bulk carriers up to 75,000 tonnes.

East Arm Wharf has a rail mounted bulk minerals ship loader with a maximum capacity of 2,000 tonnes per hour (see Figure 2). Bulk minerals, such as iron ore, magnesium carbonate, or manganese, can be delivered to stockpile areas by haulage trucks, or transferred from rail wagons to the stockpile areas using a dedicated rail dump and conveyor systems (see Figure 3). The minerals are transported by truck from the stockpiles to the ship loader truck dump for loading onto bulk carriers.

### PREFERRED QUARRY AND HAULAGE CONTRACTORS

On 6 December 2018, Korab Group reported that it has shortlisted a Darwin based, indigenous owned and operated business Rusca Bros Group as preferred mining, civil and earthmoving contractor for the Winchester magnesium carbonate quarry.

This followed on the meetings with the business owners and the senior management team of Rusca Group, and visits by Korab directors to Rusca Group operations in the Northern Territory.

The Rusca Group is an indigenous; territory owned and operated company delivering services in the civil, mining, construction and training sectors to a range of clients nationwide. Rusca Bros have been awarded contracts in the mining industry for the past 30 years.

Previous mining projects undertaken by Rusca Group include (among many others):

Client: Xstrata Mining, Project: MacArthur River Mine

Client: Glencore, Project: MacArthur River Mine

Client: Newmont Mining, Project: Woodcutters Mine Rehabilitation

Client: Atlas Iron, Project: Pardoo Mine WA

### AGREEMENT WITH ZM "ROPCZYCE"

Following the end of the quarter on, 17 January 2019 Korab Group reported that it has executed an agreement with ZM Ropczyce SA ("Ropczyce") regarding an off-take and co-operation with regards to funding, research and development, markets expansion, and development of new products.

This followed on the series of meetings with the Ropczyce senior management team and multiple visits by Korab staff to Ropczyce operations in Poland (see Figure 4).

Under the agreement, the parties want to develop a long-term strategic relationship. The agreement envisages Korab supplying up to 20,000 tonnes (depending on market conditions) per year of Dead Burned Magnesia ("DBM", or "sintered magnesia") to Ropczyce, and Ropczyce providing Korab with



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R&D support associated with the co-operation under the agreement and also aimed at broadening Ropczyce's product range and markets. The parties allow for capital co-operation in respect of the funding required to develop and expand production of DBM. The terms of the capital co-operation have not been agreed yet. The actual pricing of DBM will be set 6 monthly and will be determined in the formal agreement which will be prepared in the future.

Ropczyce is a producer and supplier of refractories essential to the production of steel, cement, and glass, as well as in other processes requiring work at high temperatures. Ropczyce is listed on the Warsaw Securities Exchange (GPW) and has been operating since 1975. For the nine months ending 30 September 2018 it had sales of approximately PLN 275 Mln<sup>1</sup> (\$102 Mln). The company provides a full product range with a wide spectrum of complex services connected with refractory ceramics across the entire product life cycle, starting from the design and technical advice through the supply of ceramics, installation, and installation supervision until servicing. It currently supplies end users operating in steel, cement, foundries, glass, and non-ferrous metals sectors.

#### EXPRESSION OF INTEREST TO BUY LOW GRADE MATERIAL

Following the end of the quarter, on 29 January 2019, Korab Group reported that it has unexpectedly received several expressions of interest to buy up to 60,000 tonnes per year of low grade CCM and low grade DBM which could be produced (using kilns owned and operated by third parties on toll-processing basis) from the fines resulting from crushing and screening of raw magnesium carbonate rock and from the other low grade material. The fines resulting from crushing and screening and the low grade magnesium carbonate rock were considered by us until now to be a "waste" product.

The potential economic impact of this new product stream is currently being assessed but a high level preliminary assessment indicates a positive impact. The mining and crushing/screening cost have already been absorbed into the overall costings of the Winchester project operations reported earlier and the cost of toll-processing of this material is relatively low. Therefore the additional revenue stream from processing and sales of what was previously considered a "waste" product appears attractive.

The discussions with interested parties are ongoing but are incomplete and details are confidential. There can be no certainty that any agreement or agreements can be reached or that any transaction will eventuate from these discussions. No commercial terms have been agreed between the parties. Accordingly, no investment decision should be made on the basis of this information. Korab will advise the market if and when an agreement or agreements have been reached.

#### DISCUSSIONS REGARDING OFFTAKES FOR RAW MATERIALS, CCM AND DBM

During and following the end of the quarter, Korab Group continued discussions, meetings, and negotiations with various parties including trading houses, refractory ceramics producers, and other potential buyers of magnesium carbonate rock, CCM, and DBM who are located in Europe, Asia, and Americas. The discussions with interested parties are ongoing but are incomplete and details are confidential. There can be no certainty that any agreement or agreements can be reached or that any transaction will eventuate from these discussions. No commercial terms have been agreed between the parties. Accordingly, no investment decision should be made on the basis of this information. Korab will advise the market if and when an agreement or agreements have been reached.

#### WINCHESTER PROJECT STRATEGY

Following the end of the quarter, on 18 January 2018, Korab group reported the strategy regarding the development of the Winchester project. The overall strategy of Korab is to secure several offtakes for magnesium carbonate rock, CCM, and/or DBM prior to commencing the operations at Winchester. At this point in time, our preference is to have the offtakes being subject to Korab being in a position to quarry the raw material, which means Korab having secured all required permits and approvals,

<sup>1</sup> Source – ZM Ropczyce SA interim report for the period ended 30 September 2018



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completing the arrangements with relevant stakeholders, and completing the construction of the quarry and the related infrastructure. It is Korab's belief that this approach will reduce the operational and financial risks for the Company. Notwithstanding the above preference, should any of the potential buyers be willing to enter into an offtake agreement which would be binding on the buyer but not on the Korab Group, we would of course be pleased to comply.

Magnesium carbonate, CCM and DBM markets have undergone significant level of disruption over the last 18 months due to Chinese government focusing on pollution control and environmental protection which resulted in many of the older and more polluting magnesium carbonate quarries and kilns located in China being shut down. This has caused a sharp increase in prices for raw magnesium carbonate rock, CCM, and DBM in the global markets. Korab Group aims to take advantage of this disruption to enter the market as a new supplier of magnesium carbonate rock, CCM, and DBM at the time of reduced overall supply and elevated prices.

The Company aims to have the Winchester project in production in the second half of 2019, although this goal is subject to the quarry operator (Ausmag Pty Ltd, a wholly owned subsidiary of Korab) securing all required permits, and approvals, and completing the arrangements with relevant stakeholders.

Further updates regarding the Winchester magnesium carbonate project will be provided to the market as and when required.

### PERMITTING

During the quarter Korab continued work on the notice of intent to mine and the quarry planning. Quarry planning and logistics required some amendments. Korab has finalised the quarry planning following the end of the quarter and is currently finalising the notice of intent to mine. The Company intends to lodge the notice of intent to mine with the relevant department during the current quarter after the finalised document has been reviewed by parties advising Korab Group. Market will be advised once this has occurred.

### FUNDING

With regard to funding, Korab expects to fund the cost of the development of the quarry, quarrying costs, logistics, and the costs of toll-processing, as reflected in the announcement dated 12 September 2018, from the prepayments for the offtakes, although other funding avenues (one of which is capital co-operation with an offtake partner, or partners) are also being explored and evaluated. The Company confirms that all material assumptions underpinning the production target, or the forecast financial information derived from a production target, in the initial public report titled "ADDITIONAL INFORMATION - WINCHESTER MAGNESITE FEASIBILITY STUDY UPDATE" released to the market on 12 September 2018 continue to apply and have not materially changed.

### ABOUT WINCHESTER MAGNESIUM CARBONATE PROJECT

The proposed magnesium carbonate quarry at Winchester is located 2 km from the regional centre of Batchelor some 70km south of Darwin along Stuart Highway. Please refer to Figure 1 for details of the location of the proposed Winchester magnesium carbonate quarry, and Korab Group's various mineral tenements in the area. Deposit is at shallow depth and is covered by a thin layer (few meters) of unconsolidated clay and gravel (see Figure 5). Winchester magnesium carbonate rock can be quarried using drill and blast, shovel and truck method.

### Batchelor/Green Alligator Polymetallic Project (Northern Territory)

On 24 October Korab reported that exploration licence EL29550 at Batchelor project has been renewed for a further 2 years to 31 July 2020 and is eligible for further renewals. EL29550 is located



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some 70km south of Darwin in the Northern Territory. It covers 172 square kilometres of prospective lithologies of the Rum Jungle Mineral Field within the prolific Pine Creek Orogen.

During the quarter Korab continued exploration and evaluation of Batchelor/Green Alligator project with particular focus on gold, cobalt, base metals, and lithium bearing pegmatites. No material exploration results were generated. Korab has also continued discussions with third parties regarding potential JV's to explore the project for various commodities.

### Geolsec Rock Phosphate Project (Northern Territory)

During the quarter Korab focused on other mineral assets and consequently exploration work at the Geolsec project was limited. Following the end of the quarter Korab received from the Department of Primary Industry and Resources in Darwin mine closure certificate for the Geolsec quarry. Korab Group withdrew its mine management plan for Geolsec quarry and applied for mine closure certificate following the signing of the agreement with Greentogofuel Limited ("Miner") to sub-lease the Geolsec phosphate quarry (reported to the market on 25 July 2018). Pursuant to the agreement with the Miner, any work by the Miner at Geolsec project has to be conducted under a new authorisation to mine and under a new mine management plan, both of which are responsibility of the Miner. Receipt of the Geolsec mine closure certificate frees Korab Group to concentrate on other projects.

### Bobrikovo Gold and Silver Project (Ukraine)

During and following the end of the quarter, notwithstanding the uncertain situation in the Donbas region, Korab Group continued engagement with stakeholders, contractors, advisers, and potential partners/investors with the view to a JV, sub-leasing, sale, or re-commencing operations at this project. Korab is in discussions with interested parties regarding potential sale, or sub-leasing of the Bobrikovo project. Currently, these discussions are incomplete and confidential and there can be no certainty that any agreement or agreements can be reached or that any transaction will eventuate. No commercial terms have been agreed between the parties. Accordingly, no investment decision should be made on the basis of this information. Korab will advise the market if and when an agreement or agreements have been reached.

### Mt. Elephant/Ashburton Downs Project (Western Australia)

During and following the end of the quarter, Korab Group, in conjunction with Great Fingall Mining Company NL (GFMC), which holds the option to acquire the project (as reported to the market on 25 July 2018), continued the exploration and evaluation of the Mt. Elephant project focusing primarily on its gold and base metals potential. No material exploration results were generated. GFMC covered the costs associated with tenement maintenance and the exploration and evaluation work within the project.

### OPERATIONS – CORPORATE

On 1 October 2018 Korab reported a placement of 3.5 million shares at 2.9 cents each. The funds will be used for working capital, Winchester marketing and permitting, general operating expenses, and to reduce Korab's liabilities.

Following the end of the quarter, on 7 January 2019, Korab reported a placement of 2 million shares at 2.5 cents each. The funds will be used for general operating expenses and reduction of liabilities.

### INVESTOR CONTACT:

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



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Figure 1 Location of Korab Group's mineral tenements (exploration leases in white and mining leases in red) and Winchester magnesium carbonate project relative to Darwin Port and basic infrastructure



Figure 2 Darwin Port loading facilities (travelling gantry and autoloader)



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Figure 3 Mineral stockpiles at Darwin Port



Figure 4 ZM "Ropczyce" SA operations at Ropczyce, Poland <sup>2</sup>

<sup>2</sup> Source – ZM Ropczyce SA website



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Figure 5 Test mining of magnesium carbonate at Winchester (setting of explosive charges)

## ABOUT KORAB RESOURCES

Korab Resources Ltd is an international mining and exploration company with operations in Australia and Europe. Korab's projects include Winchester magnesium carbonate deposit at Batchelor in the Northern Territory of Australia, Geolsec phosphate rock deposit also at Batchelor, and other gold, silver, copper, cobalt, nickel, and polymetallic projects in Australia and overseas. 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.

## DISCLAIMER AND CAUTIONARY STATEMENT

Forward-looking statements are statements that are not historical facts. Words such as "expect(s)", "expected", "feel(s)", "believe(s)", "will", "may", "anticipate(s)", "should", "envisage(s)" and similar expressions are intended to identify such forward-looking information. This information includes, but is not limited to statements regarding future exploration results, resources, or reserves, and production. Anyone reading this report is cautioned not to place undue reliance on these forward-looking statements. All of such statements are subject to risks and uncertainties (many of which are difficult to predict and which generally are beyond the control of the Company) that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include, but are not limited to: those relating to the interpretation of exploration results (including drill results), the geology, grade and continuity of mineral deposits and conclusions of economic evaluations; risks relating to possible variations in reserves, grade, mining dilution, ore loss, and recovery rates; risks relating to changes in project financial and technical parameters; risks relating to the potential for delays in exploration programs, project evaluation/review, completion of feasibility studies and project development; risks related to commodity prices and foreign exchange rate fluctuations; risks related to failure to secure adequate financing on a timely basis and on acceptable terms; risks related to delays in obtaining governmental, or other permits and approvals; risks related to security of tenure; and other risks and



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uncertainties related to the Company's prospects, properties and business strategy. Any forward-looking information contained in this report is provided as of the date of this report. Except as required under applicable listing rules and securities laws, the Company does not intend, and does not assume any obligation, to update this forward-looking information.

## APPENDIX A

### INTERESTS IN MINING TENEMENTS AS OF 30 JUNE 2018

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 EL31341	Northern Territory, Australia	100% 100% 100% 100% 100% 100% 100% 100%		
Winchester Project ML30587	Northern Territory	100%		
Geolsec Project ML27362	Northern Territory	100%		
Bobrikovo Project <sup>3</sup>  BKB169 4420381100646545 1589	Ukraine Donbas	100% <sup>4</sup> 100% 100% <sup>5</sup>		
Mt. Elephant Project:  E08/2115 E08/2307 <sup>6</sup> E52/2724 <sup>7</sup> E08/2756 E08/2757	Western Australia, Australia	100% 100% 100% 100% 100%		(A 9 month option granted over the project on 21 July 2018)
<b>Farm-in agreements/Tenements</b>	<b>Location</b>	<b>Held at end of quarter</b>	<b>Acquired during quarter</b>	<b>Disposed during quarter</b>
none				
<b>Farm-out agreements/Tenements</b>	<b>Location</b>	<b>Held at end of quarter</b>	<b>Acquired during quarter</b>	<b>Disposed during quarter</b>
none				

<sup>3</sup> Bobrikovo Project is located in eastern part of Ukraine in the Donbas region. This project has been written-off in full in the 2014 Annual Report at the consolidation level. Given the ongoing situation in the Donbas region there is a lack of clarity regarding permitting and licencing situation.

<sup>4</sup> Korab's Ukrainian subsidiary applied for extension of term of the mining permit

<sup>5</sup> Korab's Ukrainian subsidiary applied for extension of term of the exploration permit.

<sup>6</sup> Korab's subsidiary applied for extension of term of the exploration licence.

<sup>7</sup> Korab's subsidiary applied for extension of term of the exploration licence.

### Issued Capital

Issued Shares: 309 Mln

Last Price: 2.8 cents

Market Cap: \$8.7 Mln

### Listing Codes

ASX: KOR

BERLIN: C6S

### Directors

**Andrej K. Karpinski**

Executive Chairman  
Director

**Rodney H. Skeet**

Non-executive Director  
(Independent)

**Daniel A. Smetana**

Non-executive Director  
(Independent)

**Anthony G. Wills**

Non-executive Director  
(Independent)

### Projects

**Winchester**

(Rum Jungle, NT)

Magnesium carbonate  
(MgCO<sub>3</sub>)

**Batchelor**

(Rum Jungle, NT)

Au, Ag, Zn, Pb, Ni, Cu, Co, Sc,  
Mn

**Geolsec**

(Rum Jungle, NT)

Phosphate rock

(P<sub>2</sub>O<sub>5</sub>)

(Sub-leased to third party)

**Mt. Elephant**

(Ashburton, WA)

Au, Cu

(Optioned for sale)

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