



# KORAB RESOURCES LIMITED

KORAB HOUSE

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5 April 2019

## WINCHESTER MAGNESITE FEASIBILITY STUDY UPDATE - LOW GRADE MATERIAL

Korab Resources Ltd ("Korab", or "Company") (ASX: KOR) is pleased to provide the results of an update of the feasibility study assessing potential economic impact of the toll-treatment processing of low grade magnesite material into caustic calcined magnesia (CCM) and dead burned magnesia (DBM) and their sales (as an additional product stream).

This update concerns only the additional financial information as regards the potential earnings that would result from processing of the low grade magnesium carbonate rock which was treated in prior feasibility study updates as a "waste" product.

As previously reported on 29 January 2019 the Company advised that it has unexpectedly received several expressions of interest to buy up to 60,000 tonnes per year of low grade caustic calcined magnesia (CCM) and low grade dead burned magnesia (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.

Based on further discussions with interested parties subsequent to the above report, Korab amended the potential volumes to assess the potential economic impact of the sales of low grade CCM and DBM in aggregate to between 60,000 tonnes and 110,000 tonnes per year in aggregate. The discussions with parties interested in purchasing low grade CCM and low grade DBM 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.

This new revenue stream would be in addition to the sales of high grade raw rock, CCM and DBM currently being negotiated, and the sales of high grade DBM to ZM Ropczyce reported on 17 January 2019.

As reported to the market 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.

On 12 September 2018 the Company reported in a report titled "ADDITIONAL INFORMATION - WINCHESTER MAGNESITE FEASIBILITY STUDY UPDATE", additional information regarding the earnings estimates of potential additional revenue streams from production of caustic calcined magnesia (CCM) and dead burned magnesia (DBM) using output from the Winchester magnesite project as a raw material feed. The information was based on the update to the previously reported feasibility study and concerned the additional financial information as regards the potential earnings that would result from diverting a part or the whole of the raw magnesium carbonate rock to be produced by the Winchester quarry to the toll-treatment processing into CCM and/or DBM. This update was based on the production target initially reported on 21 March 2018, in a report titled

### Issued Capital

Issued Shares: 309 Mln  
Last Price: 4.0 cents  
Capitalisation: \$12 Mln

### Listing Codes

ASX: KOR  
BERLIN: C6S

### Directors

**Andrej K. Karpinski**  
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Director

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**Daniel A. Smetana**  
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(MgCO<sub>3</sub>)

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Au, Ag, Zn, Pb, Ni, Cu, Co, Sc,  
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Phosphate rock  
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(Sub-leased to third party)

**Mt. Elephant  
(Ashburton, WA)**  
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*"WINCHESTER MAGNESITE DIRECT SHIPPING ORE FEASIBILITY STUDY RESULTS (EARNINGS, NPV, EBITDA, CAPEX, AND OPEX)"*

The Company confirms that all the material assumptions underpinning the production target in the initial public reports released on 21 March 2018 and 12 September 2018 continue to apply and have not materially changed. The Company further confirms that all the material assumptions underpinning the forecast financial information derived from a production target in the initial public reports released on 21 March 2018 and 12 September 2018 continue to apply and have not materially changed. The reports can be downloaded directly from the ASX website by either following the links below or by cutting and pasting these links into your browser:

["WINCHESTER MAGNESITE DIRECT SHIPPING ORE FEASIBILITY STUDY RESULTS \(EARNINGS, NPV, EBITDA, CAPEX, AND OPEX\)" - 21 March 2018](https://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01964262)

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["WINCHESTER MAGNESITE DIRECT SHIPPING ORE FEASIBILITY STUDY RESULTS \(EARNINGS, NPV, EBITDA, CAPEX, AND OPEX\)" - 12 September 2018](https://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=02021411)

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## POTENTIAL ECONOMIC IMPACT OF SALES OF LOW GRADE MATERIAL

This update, which includes the estimation of revenues and various additional material costs such as toll-treatment processing costs, haulage, handling, shipping, port charges, overheads, etc. evaluated the economics of producing low grade CCM and DBM on a toll-treatment basis in kilns operated by third parties (thus not requiring additional capital expenditure) utilising as a feedstock low grade magnesium carbonate rock previously assessed as "waste" product.

The potential values listed below are in addition to the potential values disclosed in the reports dated 12 September 2018 and 21 March 2018. The Company confirms that all the material assumptions underpinning the production target in the initial public reports released on 21 March 2018 and 12 September 2018 continue to apply and have not materially changed. The Company further confirms that all the material assumptions underpinning the forecast financial information derived from a production target in the initial public reports released on 21 March 2018 and 12 September 2018 continue to apply and have not materially changed.

**Table 1 Toll-treatment estimated EBITDA for production of low grade CCM87 at US\$270/tonne price and US\$0.80 exchange rate**

	20,000 tonnes (in \$ '000)	40,000 tonnes (in \$ '000)
From	3,200	6,800
To	3,700	7,300

**Table 2 Toll-treatment estimated EBITDA for production of low grade DBM88 at US\$300/tonne price and US\$0.80 exchange rate**

	10,000 tonnes (in \$ '000)	20,000 tonnes (in \$ '000)
From	1,400	3,200
To	1,900	3,700

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Table 3 Toll-treatment estimated EBITDA for production of low grade DBM90 at US\$320/tonne price and US\$0.80 exchange rate

	30,000 tonnes (in \$ '000)	40,000 tonnes (in \$ '000)
From	5,500	7,600
To	6,000	8,100

Based on discussion with interested parties, the aggregate volume of the low grade CCM and DBM is assumed to be between 60,000 tonnes and 110,000 tonnes per year requiring as a feedstock between 125,000 tonnes and 210,000 tonnes per year of the low grade "waste" magnesium carbonate rock. The discussions with parties interested in purchasing low grade CCM and low grade DBM 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.

### TOLL-TREATMENT OPERATING COSTS

The toll-treatment operating costs include the processing costs (on a cost-plus basis), haulage, and handling, loading, and shipping costs. The cost of the low grade raw material has already been absorbed in the cost of the DSO rock as fines and low grade waste material. The specific, detailed rates and prices, which were quoted by third parties are commercially sensitive and are not disclosed in this report.

### PERMITTING

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.

The Company is pleased to advise that the notice of intent to mine (NoI) has been completed. Korab Group expects to lodge the NoI with the relevant departments by the end of April 2019 following the completion of the review of the NoI by the parties advising Korab Group. The timing of the lodgment of the NoI is subject to the completion of the review by the parties advising Korab Group. Market will be advised once this has occurred.

### LOGISTICS

With regard to logistics, Korab reported on 30 November 2018 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.

### 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

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*"ADDITIONAL INFORMATION - WINCHESTER MAGNESITE FEASIBILITY STUDY UPDATE"* released to the market on 12 September 2018 continue to apply and have not materially changed.

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

## CAUTIONARY STATEMENT

The feasibility study referred to in the report released on 21 March 2018 and the update reported on 12 September 2018 have been undertaken for the purpose of estimating approximate capital and operating costs of the Winchester Magnesium Carbonate Project. They are preliminary technical and economic studies of the potential viability of this Project. They are based on low level technical and economic assessments that are not sufficient to support the estimation of ore reserves. Further evaluation work and appropriate studies are required before the Company will be in a position to estimate any ore reserves or to provide any assurance of an economic development case.

The study and its update were based on the material assumptions outlined in the report released on 12 September 2018, 21 March 2018, and in prior reports released on 13 January 2015 and 10 March 2015. The Company confirms that, all the material assumptions underpinning the production target, or the forecast financial information derived from a production target, in the initial public reports (and which are not disclosed elsewhere in this report) continue to apply and have not materially changed. These include assumptions about the availability of funding. While the Company considers all of the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the feasibility study will be achieved.

To achieve the range of outcomes indicated in the feasibility study, funding in the order of \$3.5 million to \$4 million will likely be required. Investors should note that there is no certainty that the Company will be able to raise that amount of funding when needed. It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of Korab's existing shares.

It is also possible that the Company could pursue other 'value realisation' strategies such as a joint venture, a partial sale, or a sale of the project. If it does, this could materially reduce Korab's proportionate ownership of the project.

As reported on 16 August 2018, Korab is in the process of evaluating various funding proposals for the Winchester quarry. These include:

1. forward sale which is essentially a prepayment for magnesite rock, or calcined magnesia, or dead burned magnesia (or a combination thereof) to be delivered once project is in production – this is the preferred option,
2. debt financing to be repaid out of sales revenue,
3. sale of a minority equity stake in the project,

The evaluation of the proposals is still continuing as are the discussions with interested parties. The discussions are incomplete. Whilst the detailed terms of funding being discussed are confidential, the general structure of the forward sale envisages a prepayment for approximately 100,000 tonnes of crushed magnesium carbonate rock which would be delivered in 2-3 shipments once the quarry is operational. The pre-sale of 100,000 tonnes of rock can be easily covered from the proposed 600,000-800,000 tonnes annual capacity of the quarry. The Company is also in discussions regarding a pre-sale of 1-2 shipments of approximately 15,000 tonnes of DBM each with the raw material rock feed easily covered by the proposed 600,000-1,000,000 tonnes annual capacity of the quarry

It is clear from the discussion and negotiations, that the funding of the project is most likely to be through forward sales, or a combination of forward sales, and a small bank loan. Given the balance

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sheets of the potential counterparties to the proposed offtakes, this option appears to be most advantageous to both sides.

Note that there can be no certainty that any agreement or agreements regarding the funding 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.

Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the feasibility study.

### CONTACT:

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

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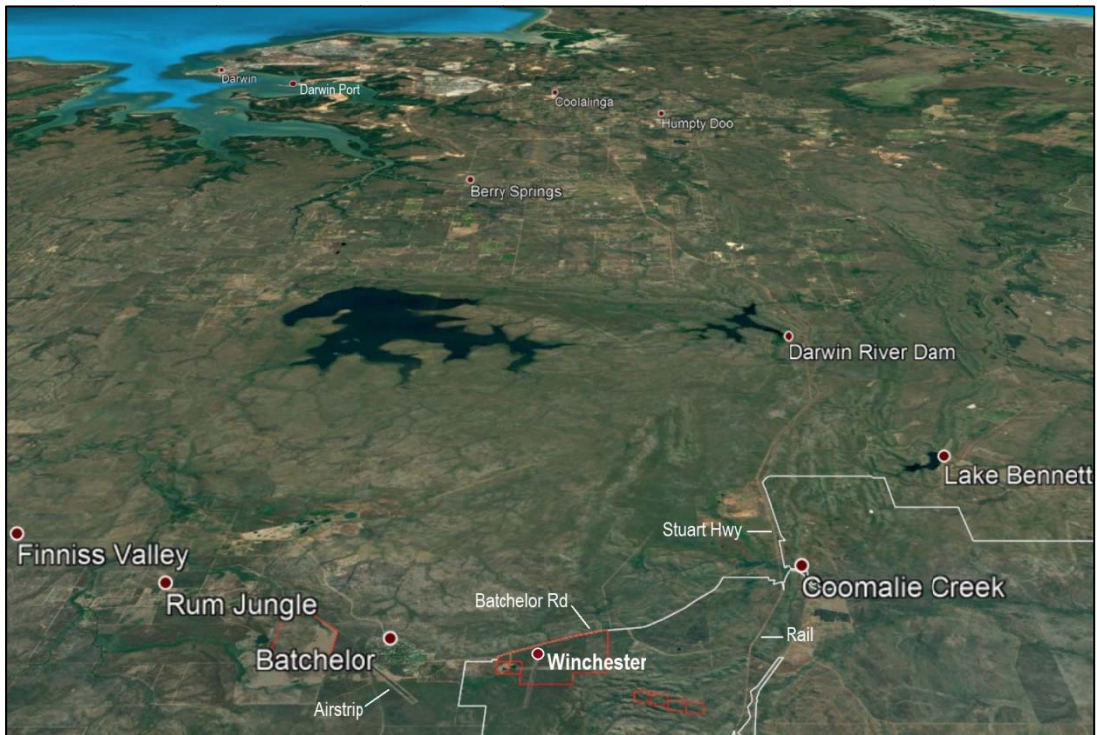


Figure 1 Location of Korab Group's mineral tenements (exploration leases in white and mining leases in red) and Winchester magnesium carbonate project relative to Darwin Port and basic infrastructure



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Figure 2 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. Pilbara East and Pilbara West projects are considered to be of early stage, grass roots exploration status.

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MODIFYING FACTOR	COMMENTS
Legal	Winchester deposit is located within the granted Mineral Lease (mining licence) ML30587. ML30587 has an area of 352 ha and was granted up to 20 October 2040 prior to which date it can be renewed. The lease can be renewed multiple times. Korab's wholly owned subsidiary Melrose Gold Mines Pty Ltd owns rights to 100% of gold mineralisation within the project. Polymetallica Minerals Ltd owns 90% of rights to uranium mineralisation within the project.
Infrastructure	The deposit is located 2km east from the town of Batchelor along Batchelor road and 75km from Darwin port along Stuart Highway. Darwin to Adelaide rail line runs approximately 5km from the deposit. High voltage power runs along the Batchelor road next to the deposit. Additional high voltage power lines run across the project 2 km to the east of the deposit. Gas pipeline runs approximately 3 km east of the deposit. Potable water is available on site. Accommodation is available at Batchelor town, and the alternative accommodation is available in Darwin.
Transportation	Sea transport is available from Darwin Port's East Arm which is located 93km to the north of the project. Bulk materials handling facility at East Arm includes 850m rail spur, 1,500T/H rail bottom dump station, stockpiles, haul roads and a 2,000T/H travelling gantry shiploader. The shiploader is designed for Panamax class ships. Road transport by haulage trucks is available to the Darwin port and to South Australia, Victoria, New South Wales and Queensland via Batchelor road and then via Stuart Highway. Darwin to Adelaide railway line runs along Stuart Highway and is transected by Batchelor road approximately 5km from the deposit. Currently there are no rail loading facilities either at Batchelor or near the point where Batchelor road transects the railway line. On 3 December 2018, Korab reported that it has expanded the Heads of Agreement with the operator of Darwin port. HoA envisages exporting of 800,000tpa of magnesite rock through Darwin Port East Arm Wharf and includes sub-leasing of the land, access to various port facilities, and use of loaders, and other equipment. HoA provides the basis for the final port agreement which will allow for exporting the magnesium carbonate rock through Darwin.
Mineral Resources Classification	The mineral resources estimates that were used to underpin this report are classified as indicated mineral resources.
Marketing (Off-take or Sale Agreements)	Development of Winchester depends on one or more long-term sale, or off-take agreements being completed successfully. Korab is in discussions with number of parties regarding potential joint ventures, equity partnerships, off-take and long-term sales agreements. On 17 January 2019 Korab reported signing of an agreement with ZM Ropczyce SA regarding an off-take and co-operation.
Mine Permitting	Winchester deposit is located on granted mineral lease ML 30587 held by Korab's wholly owned subsidiary AusMag Pty Ltd. Before the quarry can be established, an appropriate Mine Management Plan (MMP) will need to be submitted to the Northern Territory Department of Mines and Energy and AusMag will need to receive the authorisation to implement this MMP.
Environmental studies	Environmental impact studies have been undertaken for the Winchester magnesite project and the assessment shows that the magnesite quarry will have a minimal impact. This is primarily because the project would be developed as a magnesite rock quarry with no processing of the rock on-



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PO BOX 1958, WEST PERTH, WA, 6872, AUSTRALIA  
TEL (08) 9474 6166 FAX (08) 9322 6333  
ACN 082 140 252







# KORAB RESOURCES LIMITED

KORAB HOUSE

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

## Issued Capital

Issued Shares: 309 Mln  
Last Price: 4.0 cents  
Capitalisation: \$12 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)

	site other than crushing and screening. The quarry and associated infrastructure will have a very small footprint. Mobile equipment, including crushers and sorters will be utilised where possible. There are several rock quarries and mines in the vicinity of the town of Batchelor, some abandoned, and some in operation. Processing of rock (if any) into calcined magnesia or dead burned magnesia will be done off-site by way of toll-treating the rock in third party kilns.
Native Title	Winchester deposit and the mineral lease are located wholly on freehold land and no native title approvals would be required to establish a quarry. However, any sacred sites and sites of anthropological or historical significance that are located within the project area would need to be protected.
Social	Winchester mine would utilise contractors operating on campaign basis. Other than contractor's staff, there would be relatively small number of personnel directly employed by AusMag Pty Ltd involved in establishing and operating the mine (fewer than 10). In addition, Winchester magnesite quarry has a potential to generate significant royalties income for the Northern Territory government over the life of the project. In addition to providing revenue stream for the government, the quarry would also directly benefit Territorians by supporting local businesses and providing jobs. Whilst there is no legal requirement to utilise local contractors and labour, local businesses and labour would be given preference as long as this would not have negative impact on the viability of the project. The project will aim to utilise local contractors operating on a campaign basis. Other than contractor's staff, there would be a number of local staff involved in establishing and operating the quarry.



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