KORAB RESOURCES LIMITED

KORAB HOUSE

www.korab.com.au

Tuesday, 31 January 2012

MINING ENTITY QUARTERLY ACTIVITY REPORT

QUARTER ENDING 31 DECEMBER 2011

ABOUT KORAB RESOURCES LIMITED

Korab Resources Ltd (ASX: KOR, Korab, or the Company) is an Australian mining company listed on Australian Securities Exchange and traded on ASX and Berlin Stock Exchange (BSE). Our corporate strategy is to establish Korab as a commodities producer in sectors with strong historical growth and a continuing long term growth potential.

Our development projects are characterised by low operating cost, high profit margin and superior logistics and location. Korab operates two development projects in the Northern Territory where it aims to produce phosphate rock (Geolsec) and magnesium metal (Winchester).

Organic phosphate fertiliser based on unprocessed phosphate rock is environmentally and nutritionally superior to chemical fertilisers and can be used on a wide variety of crops and pastures. Subject to receiving all permits and approvals (which have not yet been received) Geolsec Phosphate Operations P/L (Korab's subsidiary) is planning to commence production of phosphate rock as natural fertiliser to supply organic farmers and pastoralists with eco-friendly products.

Another of the Korab's projects is Winchester magnesium project. Magnesium is stronger than steel but lighter than aluminium. It is widely used in aerospace and military applications, steel making, super conducting materials, automotive sector and building and construction. Experts believe that the growing demand for lighter, fuel efficient vehicles, super conductors, steel, advanced alloys and eco-friendly building materials will ensure demand for magnesium continues to increase at historical rate of 7% pa. China and UK have recently put magnesium on the lists of strategic materials. Korab's Winchester magnesium project is one of the best located magnesium deposits in the world. Winchester is located just 75 km south of the port of Darwin and is serviced by excelled infrastructure including, rail, sealed highway, gas pipeline, high voltage power and potable water.

Korab also operates several exploration projects in Western Australia and the Northern Territory with potential for iron ore, base metals, specialty metals, industrial metals, and other minerals. More information about Korab's projects can be sourced from our website at www.korabresources.com.au

OPERATIONS - EXPLORATION AND DEVELOPMENT

RUM JUNGLE PROJECTS

During the quarter representatives of overseas phosphate users visited Korab to assess potential for offtake agreements (or other supply arrangements) for the phosphate rock from the Geolsec phosphate project located 70 km south of Darwin in the Northern Territory (NT). In addition to discussing potential supply arrangements for Geolsec phosphate, these parties expressed interest in other forms of strategic partnership involving exploration for copper and iron ore within Korab's projects as well as potential assistance in developing other Korab's assets. These discussions are continuing and the parties are currently reviewing Geolsec technical information (including phosphate rock test samples' data). Detailed technical information regarding other projects is currently being compiled and will be provided for assessment shortly. Should these discussions be converted to actual agreements, market will be advised accordingly.

Following the issue of the authorisation under the Mining Management Act covering Geolsec, Batchelor and Green Alligator projects, Korab is continuing its efforts to progress the project to development and production. As stated on number of occasions, continuous quarrying of phosphate

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C6S.BE
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Issued capital
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Market capitalisation
AU$ 14 million
€ 11 million

rock from the Geolsec project is subject to receiving all required permits and approvals, which have not yet been obtained. We aim to bring this project to production as quickly as we can. However, at this point in time, Korab is not able to provide guidance as to when all required permits and approvals will be obtained. Market will be advised when and as the required permits and approvals are being received.

Korab has also been approached by a domestic party with a view to enter into joint venture arrangements where Geolsec project would be developed by a third party with Korab receiving royalty payments. These discussions are progressing slowly and remain incomplete.

As advised on 12 December, following the grant of the authorisation under the Mining Management Act, Korab plans to undertake a drilling program at Geolsec with the aim of increasing the tonnage of available phosphate rock and to drill test several phosphate anomalies discovered by Korab through systematic evaluation of the Castlemaine Hill where Geolsec is located. This evaluation consisted of radiometric surveys, auger drilling, soil sampling and rock chip sampling and has resulted in discovery of several phosphate anomalies. The lateral extent of phosphate anomalies which will be drill tested significantly exceeds the footprint of the Geolsec deposit. In addition to testing phosphate anomalies, this program will test several base metals anomalies and rare earth targets associated with dolomite breccia.

As reported on 12 December, diamond drilling at Siltstone polymetallic anomaly produced elevated nickel, chromium, vanadium, cobalt and titanium in sulphides over an intercept of 120 meters within a sulphide-rich interval of 160 meters. Interpretation of the HyLogger scans has not been completed at the date of this report and will be reported once it is available. Petrological analysis of the samples has been completed and the results confirm the presence of pentlandite, chalcopyrite and pyrrhotite across wide intervals consistent with results of Siltstone petrological studies reported previously. Similar results have been produced from Reverse Circulation holes drilled to the north-east of the Siltstone anomaly following completion of the diamond drilling program. The polymetallic anomalism originally discovered at Siltstone now extends along a corridor of over 6 km in length, 200-400 m in width and 90-110 m thickness. Fewer than 10 holes have been drilled to date targeting the source this anomalism and so far they have not intercepted primary mineralisation. The prospect is at an early stage and more drilling will be undertaken this year to target the primary mineralisation.

MELROSE GOLD MINES LTD (MELROSE)

Core samples from the diamond drilling program completed during previous quarter are waiting to be submitted for metallurgical testing to assess the possibility of developing the 3 gold deposits at Melrose project as a heap leach operation.

LUGANSK GOLD LTD (LUGANSK)

Lugansk operates Bobrikovo gold and silver project located in Eastern Ukraine. During the quarter, Lugansk continued work on the development of this asset. Lugansk has also conducted a series of meetings with potential institutional investors as part of Lugansk's preparations for an IPO. The timing of the IPO will depend on the conditions of securities and commodities markets.

DEMERGER

Demerger of both Melrose and Lugansk from Korab has been approved on 2 July 2010 and since 6 July 2010 Korab shares have been trading without the entitlement to the equity held by Korab in either Melrose or Lugansk. In other words, Korab shares bought on 6 July 2010, or after, do not entitle the holder to any of the Lugansk, or Melrose shares currently held by Korab.

OPERATIONS – CORPORATE

In October 2011 Melrose Gold Mines Ltd lodged second supplementary prospectus.

MATTERS SUBSEQUENT TO THE END OF THE QUARTER

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In January 2011 Melrose Gold Mines Ltd lodged third supplementary prospectus.

In January 2011, following an enquiry from CIS-based financial press, Korab pre-empted their article by issuing an announcement to the ASX that it is reviewing various energy assets located in Ukraine and Russia. As of the date of this report, review of the technical data for these projects has not been completed and no decision has been made regarding the purchase of these assets. Purchase of these assets would be subject to ASX, regulatory and shareholder approvals.

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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 Malcolm Castle, who is an independent geological consultant and is a corporate member of The Australasian Institute of Mining and Metallurgy and Andrew Hawker, who is an independent geological consultant and is a member of The Australasian Institute of Mining and Metallurgy. Malcolm Castle 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'. Malcolm Castle consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. 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 consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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