

KORAB RESOURCES LIMITED

ACN 082 140 252

Entitlements Issue Prospectus

A fully underwritten non-renounceable pro rata entitlements issue to Shareholders of 33,733,334 New Options at an issue price of \$0.001 cents each, on the basis of 1 New Option for every 3 Existing Shares held on the Record Date. The New Options are exercisable at \$0.25 each within 2 years of issue and ASX quotation will be sought for the New Options.

Underwriter

Rheingold Investments Corporation Pty Ltd (ACN 009 427 230)

Compliance Prospectus

This Prospectus is also a compliance prospectus for the issue of up to 5,000,000 options on the same terms as the New Options under a corporate advisory mandate (unrelated to the Offer), and for the issue of up to 17,014,927 Korab Shares and up to 5,671,648 Korab Options which may be issued under proposed share sale agreements for the acquisition by the Company of shares in Melrose Gold Mines Limited and Lugansk Gold Limited.

Important Notice

This Prospectus is important and should be read in its entirety. If after reading this Prospectus you have any questions about New Options being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser. The New Options offered by this Prospectus should be considered as speculative.

Corporate Directory

Directors

Andrej Kazimierz Karpinski (Executive Chairman)
Rodney Henry Skeet (Non Executive Director)
Malcolm John McKenzie (Non Executive Director)

Registered Address

Level 1, Suite 6, Korab House
100 Mill Point Road
South Perth WA 6151

Company Secretary

Andrej Kazimierz Karpinski

ASX Code: KOR

Share Registry

Link Market Services Limited
178 St Georges Terrace
Perth WA 6000

Timetable of Important Dates*

Announcement of Issue	19 July 2012
Application to ASX for official quotation of the New Options	19 July 2012
Lodgement of Prospectus with ASIC	19 July 2012
Record Date	30 July 2012
Despatch of Prospectus with Application Form	3 August 2012
Closing Date for acceptances and payment of 0.1 cents per New Option	20 August 2012
Statements for New Options despatched (latest date)	28 August 2012

*The Company reserves the right to vary the above dates.

Important Notes

This Prospectus is dated 19 July 2012 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus. No New Options will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. The Company will apply to ASX for the New Options to be granted quotation on ASX. Applications for New Options offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus. No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult. This Prospectus including each of the documents attached to it and which form part of this Prospectus is important and should be read in its entirety prior to making an investment decision. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser. This Prospectus does not constitute an offer in any place in which or to any person to whom it would not be lawful to make such an offer. In accordance with ASX Listing Rule 7.7 the Company has determined that it would be unreasonable to make the Offer to Non-participating Shareholders having regard to their number, locations and the costs of complying with the legal and regulatory requirements of those jurisdictions. No action has been taken to comply with legal and regulatory requirements of jurisdictions outside Australia and New Zealand to permit an offer of the New Options in any jurisdiction outside Australia and New Zealand. The Company will send a copy of the Prospectus for information purposes only to Non-participating Shareholders. A copy of the Prospectus can be downloaded from the website of the Company at www.korab.com.au but no application forms will be available for download since all Eligible Shareholders will receive an individual Application Form with their copy of the Prospectus. No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser.

Chairman's Letter

19 July 2012

Dear Shareholder

On behalf of the Directors of Korab Resources Limited, I am pleased to present this Prospectus and invite you to participate in the offer of loyalty options.

Please study this document carefully and seek professional advice, if necessary, to make an informed decision. All investors should be aware of the very speculative nature of mineral exploration and mining. The risks of investment specific to the Company, and in general in relation to investing in securities, are summarised in section 4 which I recommend you consider before making an investment decision.

On behalf of the Directors I commend this Offer to you.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Andrej Karpinski', written in a cursive style.

Andrej K. Karpinski
Executive Chairman

1. DETAILS OF THE OFFER

- 1.1 This Prospectus constitutes a non-renounceable pro rata entitlements offer to Shareholders of 33,733,334 New Options on the basis of 1 New Option for every 3 Existing Shares held as at the Record Date at an issue price of \$0.001 each, to raise \$33,733 before issue costs (approximately \$25,688 inclusive of all ASX listing fees for the New Options, and the Korab Shares and Korab Options and options to be issued to Hartleys as detailed in Section 2 of the Prospectus).
- 1.2 Shareholders who complete Share acquisitions by the open of ASX trading on the ex date, and which are therefore registered on the Company's Share Register by the close of business on the Record Date, are eligible to participate in the Offer.
- 1.3 The number of New Options to which you are entitled is calculated as at the Record Date and is shown on your personalised Application Form which accompanies this Prospectus. All Entitlements have been rounded up.

Effect of the Offer

- 1.4 The principal effect of the Offer will be that cash reserves will initially increase by approximately \$33,733 (before the costs of the Offer) and the number of New Options on issue will increase from nil to 33,733,334.
- 1.5 If all the New Options are exercised before their expiry date two years from issue, and assuming there is no change to the Existing Shares on issue as at the date of this Prospectus other than the issue of the Korab Shares (but assuming the Korab Options are not exercised and the options to be issued under the Mandate are not exercised), cash reserves will increase by approximately \$8,433,333 and the number of Shares on issue will increase by 33,733,334.

Use of Funds

- 1.6 The \$33,733 to be raised before the costs of the Offer (net \$8045 after the costs of the Offer and the ASX listing fees for the Korab Options and the Korab Shares detailed in Section 2 of the Prospectus) will be applied to the Company's ongoing working capital requirements consistent with its strategy disclosed to date. There is no minimum subscription in relation to the Offer. The Offer is fully underwritten.
- 1.7 The total possible \$8,433,333 which may be raised if the New Options are exercised will be used for working capital requirements of the Company. At the date of the Prospectus it is too early to determine which of the Company's projects would be funded further by any exercise of the New Options.

1.8 Capital Structure – Shares

101,200,000	Existing Shares on issue at the date of this Prospectus and at the Record Date
101,200,000	Shares on issue following Offer
17,014,927	Maximum number of Shares issued to Melrose and Lugansk Shareholders (refer to Section 2 of Prospectus)
118,214,927	Shares on issue following Offer, assuming 100% acquisition of Melrose and Lugansk Shares occurs
33,733,334	New Shares issued pursuant to exercise of all the New Options
151,948,261	Total Shares on issue, assuming 100% acquisition of Melrose and Lugansk and exercise of all the New Options issued under the Offer
157,619,909	Total Shares on issue, assuming 100% acquisition of Melrose and Lugansk, exercise of all the New Options issued under the Offer, and exercise of the Korab Options
162,619,909	Total Shares on issue, assuming 100% acquisition of Melrose and Lugansk, exercise of all the New Options issued under the Offer, and exercise of the Korab Options, and exercise of the Mandate options

1.9 Capital Structure – Options

0	New Options on issue at the date of this Prospectus and at the Record Date
0	Korab Options on issue at the date of this Prospectus and at the Record Date
33,733,334	New Options issued pursuant to this Prospectus
5,671,648	Maximum number of Korab Options issued to Melrose and Lugansk Shareholders (refer to Section 2 of Prospectus) assuming 100% acquisition of Melrose and Lugansk Shares occurs
39,404,977	Maximum number of Options on issue following Offer and assuming 100% acquisition of Melrose and Lugansk Shares occurs
5,000,000	Maximum number of Options to be issued to Hartleys Limited under the Mandate
44,404,977	Maximum number of Options on issue following Offer and assuming 100% acquisition of Melrose and Lugansk Shares occurs, and issue of options under Mandate occurs

- 1.10 The Directors may, at any time before the New Options are issued, decide to withdraw this Prospectus and the offer of New Options made under this Prospectus in which case the Company will return all application monies within 28 days of giving such notice of withdrawal.
- 1.11 The rights to the New Options are non-renounceable. Accordingly, there will be no trading of these rights. If you do not take up your entitlement the Offer will lapse and the New Options will be dealt with by Company in conjunction with the Underwriter pursuant to the terms of the Underwriting Agreement, more details of which are provided in section 3 of the Prospectus. The Offer is fully underwritten.
- 1.12 This Prospectus does not constitute an offer of New Options in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Issue. The Offer in this Prospectus is not being extended to any Shareholder, as at the Record Date, whose registered address is not situated in Australia or New Zealand because of the small number of such Shareholders, and the cost of complying with applicable regulations in jurisdictions outside Australia and New Zealand. The Prospectus is sent to those Shareholders for information only.
- 1.13 Nominees and custodians that hold Shares should note that the Offer is available only to Eligible Shareholders. The Company is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of securities. If any nominee or custodian is acting on behalf of a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Offer is compatible with applicable foreign laws.
- 1.14 The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares.
- 1.15 Recipients may not send or otherwise distribute this Prospectus or the Application Form to any person outside Australia (other than to Eligible Shareholders).
- 1.16 The Entitlements of any Non-participating Shareholders will lapse and the relevant New Options will be dealt with by the Company in conjunction with the Underwriter.

Acceptances

- 1.17 This Offer may be accepted in whole or in part prior to the Closing Date subject to the rights of the Company to extend the Offer Period or close the Offer early in accordance with the ASX Listing Rules. Fractional entitlements or allocations (as the case may be) to New Options will be rounded up to the nearest whole number. Instructions for completion of the acceptance of your entitlement are set out on the Application Form which accompanies this Prospectus. Acceptance cannot exceed your entitlement as shown on the Application Form. If it does, acceptance will be deemed to be for your maximum entitlement and any surplus subscription funds will be returned.

- 1.18 The Company participates in the Clearing House Electronic Sub-register System (CHES). ASX Settlement Pty Ltd (ASX Settlement), a wholly owned subsidiary of ASX, operates CHES in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules. Under CHES, applicants will not receive a certificate but will receive a statement of their holding of New Securities. If you are broker sponsored, ASX Settlement will send you a CHES statement.
- 1.19 The CHES statement will set out the number of New Securities issued under this Prospectus, provide details of your holder identification number and give the participation identification number of the sponsor. If you are registered on the issuer sponsored sub register, your statement will be dispatched by the Company's share registrar and will contain the number of New Securities issued to you under this Prospectus and your security holder reference number.
- 1.20 A CHES statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time however a charge may be made for additional statements.

Action Required by Shareholders - Acceptance in Full

- 1.21 If you wish to take up all of your entitlement, please complete the Application Form which accompanies this Prospectus. Forward your completed Application Form, together with your cheque for the amount shown to the Company at the address shown below, by the Closing Date. Cheques should be made payable to Korab Resources Limited Share Issue Account, and crossed "Not Negotiable". Alternatively funds may be transferred electronically to Korab Resources Limited Share Issue Account, BSB: 086 006 Account number: 811101294 citing your Sequence Number as the reference information, and enclose a copy of the funds transfer confirmation page with the completed Application Form to the address shown below.

Postal Address:	Street Address:
PO Box 195 South Perth, WA, 6951	Level 1, Suite 6, Korab House 100 Mill Point Road, South Perth WA 6151

Action Required by Shareholders - Partial Acceptance

- 1.22 If you wish to take up part of your entitlement, please complete the Application Form which accompanies this Prospectus by inserting the number of New Options for which you wish to accept (being no more than as specified on the Application Form) and forward the completed Application Form together with your cheque for the total amount payable to the Company at the address shown below, by the Closing Date. Cheques should be made payable to Korab Resources Limited and crossed "Not Negotiable". Alternatively funds may be transferred electronically to Korab Resources Limited Share Issue Account, BSB: 086 006 Account number: 811101294 citing your Sequence Number as the reference information, and enclose a copy of the funds transfer confirmation page with the completed Application Form to the address shown below.

Postal Address:	Street Address:
PO Box 195 South Perth, WA, 6951	Level 1, Suite 6, Korab House 100 Mill Point Road, South Perth WA 6151

Action Required by Shareholders - Non Acceptance

- 1.23 If you do not wish to take up any part of your entitlement you are not required to take any action. You will receive no benefit. Your Entitlement will form part of the shortfall under the Underwriting Agreement. If you wish to receive a benefit, you must take action to accept your Entitlement in accordance with the instructions above and on the back of the accompanying Application Form. The number of Existing Shares you hold as at the Record Date and the rights attached to those Existing Shares will not be affected if you choose not to accept any of your Entitlement. The Company and the Underwriter will deal with any New Options not accepted in accordance with the Underwriting Agreement.

Binding nature of acceptances

- 1.24 A completed and lodged Application Form constitutes a binding offer to acquire New Options on the terms and conditions set out in this Prospectus and, once lodged, cannot be withdrawn. If the Application Form is not completed correctly, it may still be treated as a valid application for New Options. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Application Form is final.
- 1.25 By completing and returning your Application Form with the requisite application money, you will be deemed to have represented that you are an Eligible Shareholder. In addition, you will also be deemed to have represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence and/or where you have been given the Prospectus, does not prohibit you from being given the Prospectus and that you:
- (a) agree to be bound by the terms of the Offer;
 - (b) declare that all details and statements in the Application Form are complete and accurate;
 - (c) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Application Form;
 - (d) authorise the Company and its respective officers or agents, to do anything on your behalf necessary for the New Options to be issued to you, including to act on instructions of the Company's share registry in using the contact details set out in the Application Form;
 - (e) declare that you are the current registered holder of Shares and are an Australian or New Zealand resident;
 - (f) Acknowledge that the information contained in, or accompanying, the Prospectus is not investment or financial product advice or a recommendation that New Options are suitable for you given your investment objectives, financial situation or particular needs; and
 - (g) you acknowledge that the New Options have not, and will not be, registered under the securities laws in any other jurisdictions outside Australia or New Zealand.

ASX Listing

- 1.26 Application will be made no later than seven days from the date of issue of this Prospectus for the New Options to be granted Official Quotation by ASX. If such an application is not made within these seven days, or Official Quotation of the New Options is not granted by ASX within three months of the date of issue of this Prospectus, then all application monies received pursuant to this Prospectus will be repaid as soon as practicable, without interest. The fact that ASX may agree to grant Official Quotation of the New Options is not to be taken in any way as an indication of the merits of the Company or the New Options.

If you have any queries concerning your entitlement or this Offer, please contact Andrej Karpinski on (08) 9474 6166, or contact your stockbroker or professional adviser.

2. COMPLIANCE PROSPECTUS

- 2.1 This Prospectus is also a compliance prospectus for the issue of up to 5,000,000 options to be issued to Hartleys Limited under the terms of the Mandate, on the same terms as the New Options.
- 2.2 This Prospectus is also a compliance prospectus for the issue of 17,014,927 Korab Shares and up to 5,671,648 Korab Options ("Consideration Securities") to be issued under share sale agreements already entered into or proposed to be entered into by the Company, for the acquisition by the Company of:
- (a) up to 4,590,190 shares in Melrose Gold Mines Limited ACN 142 865 576 ("Melrose") from the current registered holders ("Melrose Shareholders"), with the objective of delivering 100% control of Melrose to the Company, and
 - (b) up to 48,629,064 shares in Lugansk Gold Limited ACN 128 063 801 ("Lugansk") from the current registered holders ("Lugansk Shareholders"), with the objective of delivering 100% control of Lugansk to

the Company. Lugansk currently owns 100% of Donetskry Kryazh Ltd, the owner of the Bobrikovo gold project in the Ukraine.

- 2.3 No action is required by any Shareholder in relation to this disclosure by the Company. It is included in the Prospectus to facilitate the issue by the Company of the options under the Mandate, and for the issue of the Consideration Securities for the purposes of the disclosure requirements of the Corporations Act and in particular to comply with the secondary trading regime in the Corporations Act in relation to any possible onselling of the Consideration Securities by Melrose Shareholders and Lugansk Shareholders within 12 months of the issue of any Consideration Securities under the proposed share sale agreements with each of the Melrose Shareholders and the Lugansk Shareholders.
- 2.4 The issue of the Consideration Securities by the Company remains conditional on shareholder approval by the Company under ASX Listing Rule 7.1. As at the date of this Prospectus the Company has no capacity to issue Shares under ASX Listing Rule 7.1 without shareholder approval. The Company has convened a general meeting to take place on 6 August 2012 in order to refresh its 15% capacity under ASX Listing Rule 7.1. Therefore following the meeting if the resolution is approved the Company will have the capacity to issue up to 15,180,000 equity securities without shareholder approval. Since this is after the Record Date, none of the Shares that may be issued by the Company following the general meeting on 6 August 2012 will carry the entitlement to participate in the Offer.
- 2.5 If the Company's shareholders approve, and if the share sale agreements are all executed by the Melrose Shareholders and the Lugansk Shareholders with the Company, then the Company will issue the Consideration Securities to the Melrose Shareholders and the Lugansk Shareholders no later than 30 September 2012, although this date may be extended by agreement of the Company with each of the Melrose Shareholders and the Lugansk Shareholders until such time as the Company's shareholders approve the issue of the Consideration Securities, or until such time as the Company has (by the passage of time) sufficient capacity to issue the Consideration Securities without requiring shareholder approval under Listing Rule 7.1.
- 2.6 There are currently 104,590,290 shares on issue in Melrose. The Company currently holds 100,000,100 shares in Melrose, representing approximately 96% of the shares on issue. The Company is in the course of negotiating terms to acquire all the shares on issue in Melrose in order to secure 100% control of Melrose. Since share sale agreements have not been executed with all the Melrose Shareholders at the date of this Prospectus it is possible that not all the Melrose Shareholders will agree to sell their Melrose shares to the Company on terms which are acceptable to the Company. This means that the Company may not acquire 100% control of Melrose. The Company intends to acquire as many Melrose shares as possible.
- 2.7 There are currently 148,629,064 shares on issue in Lugansk. The Company currently holds 100,000,000 shares in Lugansk, representing approximately 68% of the shares on issue. The Company is in the course of negotiating terms to acquire all the shares on issue in Lugansk in order to secure 100% control of Lugansk. Since share sale agreements have not been executed with all the Lugansk Shareholders at the date of this Prospectus, it is possible that not all the Lugansk Shareholders will agree to sell their Lugansk shares to the Company on terms which are acceptable to the Company. This means that the Company may not acquire 100% control of Lugansk. The Company intends to acquire as many Lugansk shares as possible.
- 2.8 The deemed subscription price to be paid for Shares by the Melrose Shareholders and the Lugansk Shareholders who execute and complete share sale agreements with the Company will be calculated by reference to:
- (a) a ratio of up to 0.2664165 Korab Shares for every Melrose Share acquired by the Company, and
 - (b) a ratio of up to 0.53724855 Korab Shares for every Lugansk Share acquired by the Company.

Please refer to the capital structure summary in section 1 of this Prospectus for more information.

Rights and Liabilities attaching to the Korab Options and Mandate options

- 2.9 The options to be issued under the Mandate, and the Korab Options, have the same rights as the New Options issued under the Offer summarised in Section 3 of the Prospectus. The Korab Options are called the Korab Options in this Prospectus to ease differentiation for the purpose of their issue. The New Options,

the options to be issued under the Mandate and the Korab Options will upon grant be one class of option with the same rights.

Rights and Liabilities attaching to the Korab Shares

- 2.10 The Korab Shares have the same rights as the New Shares issued under the Offer summarised in Section 3 of the Prospectus. The Korab Shares are called the Korab Shares in this Prospectus to ease differentiation for the purpose of their issue. The New Shares and the Korab Shares will upon issue have the same rights as existing Shares on issue.

Use of Funds raised

- 2.11 No funds will be issued by the issue of the Korab Shares or the Korab Options because they are being issued to the Melrose Shareholders and the Lugansk Shareholders in consideration for the remaining Melrose and Lugansk shares being acquired by the Company under share sale agreements, assuming share sale agreements are executed and completed with the Melrose Shareholders and the Lugansk Shareholders.
- 2.12 The total possible \$1,417,912 which may be raised if the Korab Options are exercised will be used for working capital requirements of the Company. At the date of the Prospectus it is too early to determine which of the Company's projects would be funded further by any exercise of the Korab Options.

ASX Quotation

- 2.13 Application will be made no later than seven days from the date of issue of this Prospectus for the Korab Shares and the Korab Options to be granted Official Quotation by ASX. The fact that ASX may agree to grant Official Quotation of the Korab Shares and the Korab Options is not to be taken in any way as an indication of the merits of the Company or the Korab Shares and Korab Options.
- 2.14 The costs of issue of the Korab Shares and Korab Options will comprise ASX listing fees of \$10,480 and \$1,500 respectively.

Options to be issued under the Mandate

- 2.15 The Company has agreed to grant 5 million options to Hartleys Limited under the Mandate on the same terms as the New Options.

3. ADDITIONAL INFORMATION

Market Price of Existing Shares on ASX

- 3.1 There are no New Options currently on issue or quoted on ASX.
- 3.2 The highest and lowest market sale price of the Existing Shares during the three months immediately preceding the lodgement of this Prospectus with the ASIC, and the last market sale price on the date before the lodgement date of this Prospectus, are set out below.

3 month high	3 month low	Last market price (18 July 2012)
\$0.155	\$0.081	\$0.083

Rights and Liabilities attaching to the New Options

- 3.3 The New Options issued pursuant to this Prospectus will be issued on the following terms and conditions:
- (a) Each New Option shall entitle the Option holder, when exercised, to one fully paid ordinary share in the Company ("New Share").
 - (b) The New Options are exercisable wholly or in part at any time prior to 5.00 pm (WST) on the expiry date which is two years after the date of issue ("Expiry Date"), and at an exercise price of \$0.25.
 - (c) New Options not exercised by the Expiry Date shall lapse.

- (d) Each New Option may be exercised by notice in writing to the Company, together with the payment for the number of New Shares in respect of which the New Options are exercised, at any time before the Expiry Date. Any notice of exercise of a New Option received by the Company will be deemed to be a notice of the exercise of that New Option as at the date of receipt.
- (e) A New Option does not confer the right to a change in exercise price or a change in the number of the underlying New Shares over which the New Option can be exercised.
- (f) New Shares issued upon exercise of the New Options will be issued following receipt of all the relevant documents and payments and will rank equally in all respect with the then issued Shares.
- (g) The Company will apply for quotation on ASX of the New Options and following their exercise, for quotation of all New Shares issued upon exercise of the New Options.
- (h) Subject to the Corporations Act, the Constitution and the Listing Rules, the New Options are freely transferable.
- (i) There are no participating rights or entitlements inherent in the New Options and New Option holders will not be entitled to participate in new issues of securities offered to Shareholders during the currency of the New Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 10 Business Days after the issue is announced so as to give New Option holders the opportunity to exercise their New Options before the date for determining entitlements to participate in any issue.
- (j) If at any time the issued capital of the Company is reorganised, the rights of a New Option holder are to be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

Rights and Liabilities attaching to the New Shares

- 3.4 If the New Options are exercised, the New Shares will rank equally in respect of dividends and in all other respects (eg voting, bonus issues) as Existing Shares. A summary of the rights and liabilities attaching to the New Shares appears below, as set out in the Constitution, a copy of which is available for inspection at the Company's registered office for inspection during normal business hours.
- (a) All issued Shares rank equally in all respects.
 - (b) At a general meeting of the Company, every holder of Shares present in person, by an attorney, representative or proxy has one vote on a show of hands and on a poll, one vote for each Share held, and for every contributing share held, a fraction of a vote equal to the proportion which the amount paid up bears to the total issue price of the contributing share. Where there is an equality of votes, the chairperson has a casting vote.
 - (c) Subject to the rights of holders of shares issued with any special or preferential rights (at present there are none), the profits of the Company which the Directors may from time to time determine to distribute by way of dividend are divisible among the Shareholders in proportion to the Shares held by them respectively, according to the amount paid up (not credited) as paid up on the Shares.
 - (d) Subject to the rights of holders with shares with special rights in a winding-up (at present there are none), on a winding-up of the Company all assets which may be legally distributed amongst the members will be distributed in proportion to the shares held by them respectively, accordingly to the amount paid up or credited as paid up on the share.
 - (e) Shares in the Company may be transferred by instrument in any form which complies with the Company's constitution, the Corporations Act and ASX Listing Rules and SCH Business Rules.
 - (f) Shares may be transferred by such means in accordance with ASX Listing Rules and the SCH Business Rules. The Directors may refuse to register a transfer of shares only in those circumstances permitted by the Company's constitution, ASX Listing Rules and SCH Business Rules.
 - (g) Where shares are issued as partly paid, the Directors may make calls upon the holders of those shares to pay the whole of or a portion of the balance of the issue price. If a shareholder fails to pay a call or instalment of a call, then subject to the Corporations Act and ASX Listing Rules, the shares in respect of

the call may be forfeited and interest and expenses may be payable in accordance with the Company's constitution, the Corporations Act and ASX Listing Rules or proceedings taken to recover the amount unpaid.

- (h) The allotment and issue of any new shares is under the control of the Directors and, subject to any restrictions on the allotment of shares imposed by the Company's constitution, ASX Listing Rules or the Corporations Act, the Directors may allot and issue shares or grant options over such shares or otherwise dispose of those shares to such persons, with such rights or restrictions as they may from time to time determine.
- (i) Where shares of different classes are issued, the rights attaching to the shares of a class (unless otherwise provided by their terms of issue) may only be varied by a special resolution passed at a separate general meeting of the holders of those shares of that class, or with the written consent of the holders of at least three quarters of the issued shares of that class.
- (j) Each holder of shares will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to shareholders under the Company's constitution, the Corporations Act and ASX Listing Rules.

Underwriting

- 3.5 Pursuant to the Underwriting Agreement the Underwriter (an entity controlled by Executive Chairman Andrej Karpinski) has agreed to underwrite the Offer. Upon completion, the Underwriter will receive an underwriting fee of 1% of the funds raised by the issue of the New Options. The Underwriter has discretion to terminate the Underwriting Agreement for reasons that are standard in agreements of this nature.

Effect of the underwriting on the control of the Company

- 3.6 As at the date of this Prospectus, the Underwriter, along with the Underwriter's Associates, holds 20,678,215 Shares, comprising approximately 20.4% of the Shares in the Company. The Underwriter along with the Underwriter's Associates, will have an entitlement to 6,892,739 New Options under the Offer in their capacity as Eligible Shareholders under the Offer. If there is no take up of the Offer by Eligible Shareholders then the Underwriter is obliged to take up the full amount of New Options (being 33,733,334 New Options) under the Offer.
- 3.7 If the Underwriter were to take up the full amount of New Options under the Offer then the Underwriter, along with the Underwriter's Associates, would hold approximately 40.3% of the Shares in the Company on a fully diluted basis assuming the New Options are all exercised. This ignores any Korab Shares or Korab Options which may be issued following the Offer or any options to be issued under the Mandate (refer to Section 2 for more information).
- 3.8 The table overleaf sets out the voting power in the Company of the Underwriter, together with the Underwriter's Associates, in respect of four different scenarios where Eligible Shareholders take up different proportions of New Options under the Offer, and assuming exercise of the New Options. There is no certainty that the New Options will be exercised by the Underwriter or any other Eligible Shareholder acquiring New Options under the Offer.

Take up by Eligible Shareholders	Shortfall	Shares held by Underwriter and Underwriter's Associates post Offer*	Total Shares on issue (on a fully diluted basis) assuming exercise of the New Options*	Voting power post Offer assuming exercise of the New Options*
0%	33,733,334	54,411,549	134,933,334	40.3%
25%	25,300,000	45,978,215	134,933,334	34.1%
50%	16,866,667	37,544,882	134,933,334	27.8%
100%	0	27,570,954	134,933,334	20.4%

*This assumes the Underwriter and the Underwriter's Associates will take up their entitlement under the Offer and exercise the New Options. It ignores any Korab Shares or Korab Options which may be issued following the Offer and ignores the options to be issued under the Mandate (refer to Section 2 for more information).

Continuous Disclosure Obligations

- 3.9 The Company is a "disclosing entity" (as defined in Section 111 AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The New Shares which will be issued pursuant to any exercise of the New Options to be issued pursuant to this Prospectus are in the same class of Shares that have been quoted on the official list of the ASX during the 12 months prior to the issue of this Prospectus.
- 3.10 This Prospectus is a "transaction specific prospectus". In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the specific issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the Company. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX. It does not for example, include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.
- 3.11 Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX. Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.
- 3.12 The Company, as a disclosing entity under the Corporations Act states that:
- it is subject to regular reporting and disclosure obligations;
 - copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC;
 - it will provide a copy of the financial statements of the Company for the financial year ended 30 June 2010 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus; and

- (d) it will provide a copy of any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date.

3.13 Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours. The Company has lodged the following announcements with ASX since the lodgement of the audited annual financial statements for the year ending 30 June 2011:

Date	Description of Announcement
11 October 2011	Diamond drilling commenced at Rum Jungle
24 October 2011	163m of sulphides intercepted at Batchelor
31 October 2011	Quarterly Activities Report
31 October 2011	Quarterly Cashflow Report
31 October 2011	Notice of Annual General Meeting and proxy form
1 November 2011	Notice of Annual General Meeting and proxy form
2 November 2011	Change of director's interest notice
2 November 2011	Change of director's interest notice
8 November 2011	Change of director's interest notice
29 November 2011	Results of Meeting
12 December 2011	Authorisation received for Geolsec phosphate
17 January 2012	Potential purchase of producing energy assets
30 January 2012	Quarterly cashflow report
1 February 2012	Quarterly activities report
15 March 2012	Half year accounts
15 March 2012	Trading halt
19 March 2012	Strategy review
20 March 2012	Asset development strategy presentation
22 March 2012	Trading halt
23 March 2012	Cleansing notice
23 March 2012	Appendix 3B
23 March 2012	Korab announces capital raising
27 March 2012	Change in substantial shareholding by directors
28 March 2012	Clarification
3 April 2012	Loyalty option issue
3 April 2012	Asset development strategy review
1 May 2012	Quarterly cashflow report
1 May 2012	Correction to Quarterly cashflow report
9 May 2012	High grade drilling results from Melrose project

Date	Description of Announcement
15 May 2012	Request for trading halt
15 May 2012	Trading halt
17 May 2012	Spectacular copper results from Ashburton Downs
1 June 2012	Loyalty option update
14 June 2012	99 pct gold recoveries in Melrose leach tests
6 July 2012	Notice of general meeting and proxy form
16 July 2012	80 pct gold recoveries in coarse crush leach tests

4. RISK FACTORS

An investment in the Company is not risk free and Shareholders should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for New Options. The following is not intended to be an exhaustive list of the risk factors associated with an investment in the Company.

Economic Risks

- 4.1 General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and future production activities, as well as on its ability to fund those activities.

Market conditions

- 4.2 The market price of New Options, and New Shares if the New Options are exercised, can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities and in particular, resources stocks. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the New Options.

Security Investments

- 4.3 Applicants should be aware that there are risks associated with any investment in New Options. Securities listed on the stock market, and in particular securities of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the New Options, and New Shares if the New Options are exercised, regardless of the Company's performance. Mineral exploration and mining are speculative operations that may be hampered by circumstances beyond the control of the Company. Profitability depends on successful exploration and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management and proficient financial management. Exploration in itself is a speculative endeavour, while mining operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

Exploration and Evaluation Risks

- 4.4 The success of the Company depends on the delineation of economically minable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities. Exploration on the Company's existing exploration and mining tenements may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of the Company and possible relinquishment of the exploration and mining tenements.

Overseas Operational and legal tenure risks

- 4.5 A subsidiary in which the Company has a shareholding of 68% (and wishes to acquire 100% (refer to Section 2 of the Prospectus for more information) Lugansk Gold Mines Ltd, currently owns 100% of Donetsk Kryazh Ltd, which is the owner of the Bobrikovo gold project in the Ukraine. Investing and

operating in foreign jurisdictions carry political, economic and other uncertainties, including but not limited to changes in mining and exploration policies or the personnel administering them, nationalisation or expropriation of property, cancellation or modification of contractual risk, foreign exchange restrictions, currency exchange rate fluctuation, royalty and tax increases and other risks arising out of foreign government sovereignty over the areas in which the Company's operations are conducted. Any of these factors could result in conditions that delay, affect or prevent the Company from further exploring and developing this project.

Commodity Price and Exchange Rate Risks

- 4.6 To the extent the Company is involved in mineral production now or in the future, the revenue derived through the sale of commodities may expose the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors. Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

Environmental Risks

- 4.7 The operations and proposed activities of the Company are subject to State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds.

Native Title and Tenure Risks

- 4.8 Interests in tenements in Australia are governed by the respective State legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments. It is also possible that, in relation to tenements which the Company has an interest in or will in the future acquire such an interest in, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be affected. The Directors closely monitor the potential effect of native title claims involving tenements in which the Company has or may have an interest.

Joint Venture Parties, Agents and Contractors

- 4.9 The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

Future Capital Requirements

- 4.10 The Company's activities will require substantial expenditure. There can be no guarantee that the funds raised through the Offer in addition to the Company's existing cash reserves will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund its activities there can be no assurances that the Company will have sufficient capital resources in the future or that it will be able to obtain additional resources on terms acceptable to the Company. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which limit the Company's operations and business strategy. The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

Potential Acquisitions

- 4.11 As part of its business strategy, the Company may make acquisitions of or significant investments in companies, products, technologies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products, technologies or resource projects.

Resource Estimations

- 4.12 Resource estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate. Furthermore, resource estimates may change over time as new information becomes available. Should the Company encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

Reliance on Key Personnel

- 4.13 The Company's success depends largely on the core competencies of its directors and management, and their familiarisation with, and ability to operate, in the metals and mining industry and the Company's ability to retain its key executives. Loss of any directors or senior management may substantially impact the effectiveness of the Company.

5. STATUTORY DISCLOSURES

Interests of Directors

- 5.1 Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:
- (a) the formation or promotion of the Company;
 - (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Issue of Securities pursuant to this Prospectus; or
 - (c) the Issue of Securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Issue of Securities pursuant to this Prospectus other than set out below.

- 5.2 Directors' interests in Shares at the date of this Prospectus and the Record Date, including interests held through their controlled entities are:

Name	Shares	Entitlement to New Options
Andrej Kazimierz Karpinski	20,678,215	6,892,739
Malcolm John McKenzie	5,763,660	1,921,220
Rodney Henry Skeet	487,918	162,640

- 5.3 None of the Directors will receive any Korab Shares or Korab Options (refer to Section 2 of the Prospectus). Details of the potential change of control which may occur as a result of the underwriting of the Offer by an entity controlled by Andrej Karpinski are given in section 3 of the Prospectus.
- 5.4 The Constitution of the Company provides that the Directors may be paid for their services as Directors. Non-executive directors may only be paid a sum not exceeding such fixed sum per annum as may be

determined by the Company in general meeting, to be divided among the Non-executive Directors and in default of agreement then in equal shares. The aggregate amount that has been paid (or is required to be paid to the extent payment has not already been made) to Non-executive directors in the two years preceding lodgement of this Prospectus is \$112,314.

- 5.5 In accordance with the terms of a contract between the Company and Rheingold Investments Corporation Pty Ltd (ACN 009 427 230) under which Rheingold Investments Corporation Pty Ltd provides the services of Andrej Karpinski as the Company's Executive Chairman, Rheingold Investments Corporation Pty Ltd is paid a monthly retainer of \$27,250. In the two years preceding lodgement of this Prospectus, \$654,000 has been paid by the Company to Rheingold Investments Corporation Pty Ltd for Andrej Karpinski's services. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

Interests of Advisers

- 5.6 Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus, any promoter of the Company or broker to the Issue, holds, or held at any time during the 2 years before lodgement of this Prospectus with the ASIC, any interest in the formation or promotion of the Company, or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer, or the Offer; and, no amounts have been paid or agreed to be paid, and no benefits have been given or agreed to be given, to any of those persons in connection with the formation or promotion of the Company or the Offer.
- 5.7 Hilary Macdonald has acted as solicitor to the Offer and provided advice and assistance to the Company which has been relied upon and paid for by the Company in relation to this Prospectus and the Company's due diligence regime and enquiries. In respect of these services, Hilary Macdonald will be paid \$6,000 plus GST. In addition, in the two years preceding lodgement of this Prospectus Hilary Macdonald has been paid legal fees of approximately \$7,000.

Estimated Expenses of the Offer

- 5.8 The estimated expenses of the Offer are \$13,708, comprising legal fees, underwriting fees, printing and postage expenses, share registry and ASX listing fees. In addition, if the Korab Shares and the Korab Options are issued as described in Section 2 of the Prospectus, additional ASX listing fees of \$10,480 and \$1,500 will apply respectively.

Privacy Act

- 5.9 If you complete an application for New Options, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.
- 5.10 The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company share registry. You can access, correct and update the personal information that we hold about you. Please contact the Company or its registry if you wish to do so at the relevant contact numbers set out in this Prospectus. Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the SCH Business Rules. You should note that if you do not provide the information required on the application for New Options, the Company may not be able to accept or process your application.

6. DIRECTORS' CONSENT

Each Director has consented to the lodgement of this Prospectus with the ASIC.

Signed on behalf of the Directors pursuant to a resolution of the Board.

A handwritten signature in black ink, appearing to read 'Andrej Karpinski', written in a cursive style.

Andrej K. Karpinski
Executive Chairman

Dated 19 July 2012

7. GLOSSARY

Application Form means the entitlement and acceptance form accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASTC Settlement Rules means the business rules of the securities clearing house which operates CHES.

ASX means ASX Limited (ABN 51 008 624 691).

Business Day means a day on which trading takes place on the stock market of ASX.

CHES means ASX Clearing House Electronic Sub-registry System.

Closing Date is indicated in the timetable on page 2 of this Prospectus.

Company means Korab Resources Limited (ACN 082 140 252).

Constitution means the Company's Constitution as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Commonwealth).

Directors means directors of the Company at the date of this Prospectus.

Dollar or \$ means Australian dollars.

Entitlement or Right means a Shareholder's entitlement or right to subscribe for New Options under the Offer.

Eligible Shareholder means a Shareholder on the Record Date, other than a Non-participating Shareholder.

Existing Share means a fully paid ordinary share in the capital of the Company.

Issue means the issue of New Options under this Prospectus.

Korab Options means the options to subscribe for Shares, which may be issued to the Melrose Shareholders and the Lugansk Shareholders under share sale agreements which may be entered into by the Company, described in Section 2 of the Prospectus.

Korab Shares means the Shares which may be issued to the Melrose Shareholders and the Lugansk Shareholders under share sale agreements which may be entered into by the Company, in Section 2.

Listing Rules or ASX Listing Rules means the Listing Rules of the ASX.

Mandate means the Company's engagement of Hartleys Limited dated 21 March 2012 for general corporate advisory services under which the Company has agreed to issue 5 million listed options on the same terms as the New Options to Hartleys as soon as practicable once the Company may do so under Listing Rule 7.1.

New Options means an option to subscribe for a Share.

New Shares means a fully paid ordinary share in the capital of the Company to be issued following any exercise of the New Options to be issued under this Prospectus.

Non-participating Shareholder means Shareholders on the Record Date who are resident outside Australia and New Zealand.

Offer or Prospectus means the Prospectus constituted by this document.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means the holder of a Share.

Underwriter means Rheingold Investments Corporation Pty Ltd (ACN 009 427 230).

Underwriter's Associates means Andrej Kazimierz Karpinski and Rheingold Investments Corporation Pty Ltd as trustee for the Rubicon Superannuation Fund.

Underwriting Agreement means the underwriting agreement dated 18 July 2012 between the Company and the Underwriter.

WST means Western Standard Time.

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