



# KORAB RESOURCES LIMITED

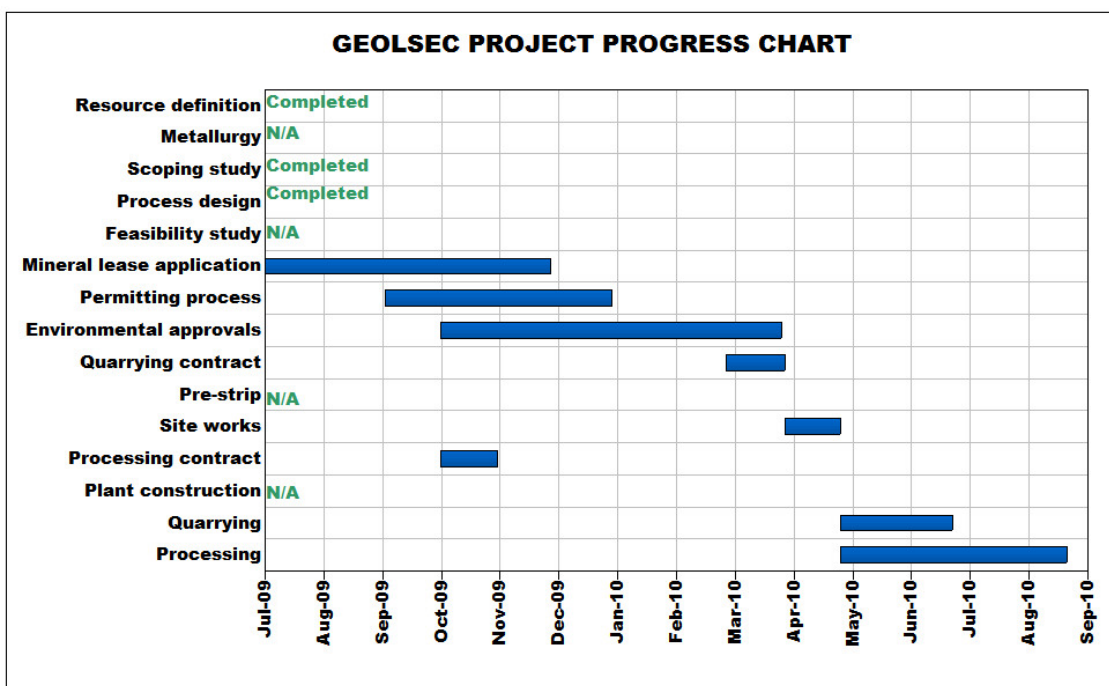
www.korabresources.com.au

Thursday, 22 October 2009

## GEOLSEC PHOSPHATE DEVELOPMENT UPDATE

### HIGHLIGHTS

- **Geolsec phosphate project funding secured**
- **Further cuts to start-up costs and working capital needs**
- **Permitting process progressing as planned – no objections to mining lease application**
- **Marketing indicates strong additional demand for GeolSec product**
- **Potential to generate pre-tax profit of 33 cents per share over 3 years**



### \$500,000 CUT TO PROJECT COSTS, FUNDING SECURED

Korab is pleased to announce that the estimated start-up costs of the GeolSec phosphate project have been further reduced from the range of \$300,000-\$500,000 to the range of \$200,000-\$300,000 which could potentially result in a start-up cost savings of \$200,000.

Furthermore the estimated working capital requirements have been reduced from the range of \$500,000- \$800,000 to the range of \$300,000-\$500,000 resulting in additional potential savings of



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around \$300,000. This brings the total savings in combined start-up and working capital requirements to around \$500,000.

Korab has recently completed a \$2 million Share Purchase Plan (SPP) which has closed oversubscribed after 16 days. Part of the funds raised under the SPP will be used to cover the start-up costs and the working capital requirements of the GeolSec project making the project fully funded to production.

## **MINING LEASE APPLICATION PROGRESSING AS PLANNED**

Korab's application for mining lease covering GeolSec phosphate deposit has progressed through the objection period with no objections received. Because of the deposit's location, its structure and its characteristics, the development of the GeolSec deposit should have a negligible environmental impact. Furthermore, through the development of GeolSec deposit as a preferred supplier of environmentally friendly organic products that can be substituted for soluble fertilisers, Korab can contribute to solving soil salinity and water pollution problems. Availability of locally produced and distributed organic fertiliser will also assist in further spread of sustainable agriculture around Darwin and elsewhere. This has a potential to provide substantial ongoing benefits to the environment and the local community.

## **MARKETING IDENTIFIES ADDITIONAL DEMAND FOR GEOLSEC PRODUCT**

Continued market research and the associated marketing drive has identified new areas of potential demand for GeolSec organic products. Korab is pleased to advise that in addition to strong local demand in the Northern Territory, company has received trade enquiries from India, China and Indonesia suggesting substantial additional demand which in aggregate exceeds GeolSec's annual production capacity.

## **GEOLSEC PHOSPHATE AND OTHER PHOSPHATE ROCKS**

GeolSec's organic phosphate product is a finely ground-up phosphate rock which is used for direct application by growers of organic produce and pastoralists. Not all phosphate deposits are suitable for this type of use. Majority of large phosphate deposit are not suitable for direct application because of their chemical composition, or crystalline structure, or both. As a consequence they are chemically treated and are primarily used for production of various grades of phosphoric acid and soluble phosphate fertilisers.



Phosphate rocks suitable for use as direct application organic fertilisers sell at substantial premium to other phosphate rocks which are not suitable for direct application. GeolSec phosphate rock, because of its chemical composition and physical properties is ideally suited for direct application and as a consequence is likely to command a substantial pricing premium to other phosphate rocks. Unlike other phosphates rocks, it will not undergo any chemical processing or beneficiation prior to application and consequently would be suitable for use by certified organic farms.

Direct application phosphate rock fertiliser prices have not been affected by the recent economic turmoil. Whilst soluble fertiliser demand has collapsed during 2008 and early part of 2009, the demand for organic fertilisers similar to GeolSec product has increased by around 17% in US alone. Similar growth rates were experienced in other regions. Australia is the world leader in organic farming. Over 40% of global organic farmland which is located in Australia is supplying rapidly expanding Asian and European demand with organic produce.

GeolSec product has major advantages over the chemically treated fertilisers and provides a number of benefits for the environment, farmers and consumers. More information about the benefits of GeolSec product is provided on the following pages as well as in the presentation made by Korab to the

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Australasian Fertiliser Conference held in Sydney in September 2009. Below is the link to the presentation which is available from Korab's website:

[http://www.korab.com.au/KORFertiliserconfSeptember2009\\_000.pps](http://www.korab.com.au/KORFertiliserconfSeptember2009_000.pps)

## GEOLSEC PHOSPHATE ROCK PROJECT INFORMATION

### Location

Korab's GeolSec rock phosphate deposit is located in the Northern Territory, 65 km south of Darwin on the outskirts of the regional centre of Batchelor. Korab is intending to develop the deposit as a simple quarrying operation capable of supplying pastoralists, organic farmers and other users of phosphate based organic fertilisers with a superior environmentally friendly product. The deposit is located around 1 km from the grinding mill and is accessible during both dry and wet seasons. Local infrastructure includes sealed highway, railway line, gas pipeline, high voltage power and potable water.

### Production volumes, start-up cost and working capital

GeolSec is aiming to commence production in 2010<sup>1</sup> with a targeted first year output of 15,000 tons p.a. (notwithstanding the recently identified additional demand for our product), to generate a projected pre-tax gross profit of around \$5 million. GeolSec will be targeting a 2<sup>nd</sup> year profit of \$9 million, and a 3<sup>rd</sup> year profit of \$12 million. This represents a targeted pre-tax profit of \$26 million over 3 years commencing 2010<sup>1</sup>. This revenue stream represents a potential gross profit of 33 cents per share over 3 years<sup>2</sup>. It is anticipated that the production could be expanded to 30,000 tpa by 2012-2013. There is a potential for the project to operate for at least 5 years at a rate of 30,000 tpa. The start-up costs are estimated at between \$200,000 and \$300,000 with working capital requirements in the order of \$300,000 and \$500,000. Initially, the quarrying and grinding operations would be conducted on a campaign basis (6-8 weeks a year) from May to July. The demand for the direct application phosphate rock is seasonal in nature with the bulk of the product bought during the months preceding the start of the wet season in October. However, the elevated location of the deposit allows for a year-round operation should this be required.

### Organic phosphate benefits

A summary of information regarding direct application organic phosphate can be found below. For more information visit Korab's website at: <http://www.korab.com.au/geolsec.htm>

Organic fertilisers based on ground-up rock phosphate offer several advantages over soluble fertilisers such as DAP, MAP or superphosphate. They slowly release nutrients into the soil matching the speed at which the nutrients are being absorbed by the plants. This reduces the risk of harmful accumulation of nutrients in the soil, reduces soil salinity and limits the serious environmental degradation caused by concentration of fertilisers in the ground water, rivers and the coastal waters.

One of the many benefits of phosphate rock organic fertilisers is their ability to restore microelemental and microbial soil balance which in turn leads to less reliance on artificial fertilisers and better crop yields. Application of phosphate rock to tropical acid soils has a potential trigger effect on plant growth and crop yields as a result not only of P release but also of their effects on increasing exchangeable calcium (Ca) and reducing Al saturation. The resulting plants have a better nutritional quality.

**GEOLSEC** phosphate rock, thanks to its high specific gravity and small grind size is suitable for aerial application over large areas. **GEOLSEC** is a source of several nutrients other than P. Phosphate rock

<sup>1</sup> Subject to receiving all permits and approvals

<sup>2</sup> Subject to meeting the targeted sales revenue and operating expenses



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is usually applied to replenish the soil P status, but **GEOLSEC** also provides other nutrients present in this phosphate rock. The incorporation of the organic residues present in **GEOLSEC** enhances biological activity and soil carbon (C) accumulation, leading to improved physical and chemical soil properties. Thus **GEOLSEC** will have an important role in contributing to improving soil fertility and soil degradation control.

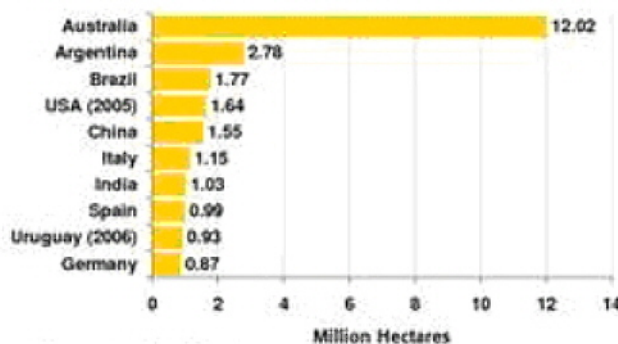
GeolSec phosphate rock is a natural mineral requiring no metallurgical processing. Its use as a substitute for soluble fertilisers avoids the production of polluting wastes such as phospho-gypsum and greenhouse gases, thus resulting in energy conservation and protection of environment from industrial pollution.

## Organic farming in Australia

Australia is the world leader in organic farming. In 2006, Australia had 12.3 million hectares of land (or 42% of the total world organic farmland) being used for organic farming. Although Korab is initially focusing on the pastoralist and organic farmers in the Northern Territory and several niche segments of the Western Australian market, the general Australian organic farming sector offers Korab a very substantial marketing opportunity and a potential for strong sustainable growth.

Organic farming is the fastest growing sector of agriculture. It also has shown to be immune to the recent economic and financial crisis. In 2008/2009, the organic farming sector in United States has grown at an annual rate of 17% while the economy has suffered the worst recession in 70 years.

## World: The ten countries with the most organic agricultural land 2007



Argentina, US and Uruguay: Only fully converted areas

## ABOUT KORAB RESOURCES LIMITED

Korab Resources Ltd is an Australian mining and exploration company based in Perth with operations in Australia and Europe. Korab's quarrying and mining projects include rock phosphate, gold, silver and magnesium. More information about Korab's gold projects can be sourced from recent ASX announcements.

### Melrose Gold project in Western Australia

"Work starts on 300,000 oz gold project in WA" – ASX: 16 October 2009

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00999364>

### Bobrikovo gold and silver mine in Ukraine

"Gold production profit targets, technical/financial data" – ASX: 7 September 2009

<http://www.asx.com.au/asxpdf/20090907/pdf/31kkvkt9sb23kq.pdf>

For more information about Korab please visit our website at [www.korabresources.com.au](http://www.korabresources.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.

## CONTACT

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