AUSMAG PTY LTD  A KORAB COMPANY

Emerging Leader in Magnesium Carbonate Supply Chain
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Magnesium carbonate

What is magnesium carbonate?

Magnesium carbonate (MgCO3 or magnesite) is an ore used for production of a wide range of industrial minerals and compounds and magnesium metal as well as its alloys.

When pure, magnesite contains 47.8% MgO and 52.2% CO2.

One of the main uses of magnesite is to produce various types of magnesia (MgO) and refractory materials used in steel making, production of cement, glass, non-ferrous metals, energy and chemicals, fire retardants, superconductors, batteries, building materials, and in hydrometallurgy.

Magnesite is also used to produce magnesium metal which is the lightest of all metals, being about two-thirds lighter than aluminium and stronger than steel.

Magnesium metal is non-toxic, non-magnetic, has high-impact strength and is resistant to denting.

Magnesium carbonate markets

- Raw magnesite ore
- Calcined magnesia
- Dead burned magnesia
- Fused magnesia
## Magnesium carbonate

### Magnesium carbonate markets

**Key established markets**
- Refractories - steel, cement, glass, energy, chemicals
- Flame retardants
- Building products - mag wall, MgO board, mag cement, geopolymers
- Magnesium alloys – cars, airplanes, tanks, armoured personnel carriers, other defence uses
- Hydrometallurgy – nickel/cobalt production
- Water purification

**Key new high-growth markets**
- Magnesium-ion batteries
- Magnesium-diboride superconductors – MRI scanners, high power electric motors for naval propulsion, electric turbo-fan aerial engines

### Magnesium carbonate users

- [Image of refractory products]
- [Image of flame retardant material]
- [Image of building products]
- [Image of magnesium alloys application]
- [Image of hydrometallurgy process]
- [Image of water purification equipment]
- [Image of magnesium-ion battery]
- [Image of MRI scanner]
- [Image of high power electric motor]
- [Image of electric turbo-fan aerial engine]
Magnesite refractories

Refractory market

- Steel ~60%
- Glass ~7%
- Nonferrous Metals ~8%
- Energy, Chemicals ~15%
- Cement ~10%

Sector drivers

Steel
- Automotive
- Machine building
- Construction
- Shipping

Cement / Lime
- Construction
- Pollution regulations
- Domestic commercial and residential markets growth

Nonferrous
- Industrial growth
- Infrastructure catch-up

Glass
- New regulations on safety, noise and energy
- Construction
- Automotive
- Rising disposable incomes
- Container glass

Refractories market is worth ~AU$40 BLN annually (US$30 BLN)
Raw materials account for roughly 50% of overall production costs of refractories
Most countries are shifting to lighter, better quality steels and alloys. Demand for low impurity steel drives increasing demand for high performance refractory linings.

Refractory linings constitute less than 2% of the production costs of end products but are crucial to their quality.

Refractory linings need to be replaced between every 20 minutes and every 2 months depending on steel making process and desired steel quality.

Availability of high-quality raw materials (e.g. magnesium carbonate rock) is crucial for refractory producers because raw material has significant influence on refractories’ performance characteristics.

India offers strong additional growth potential in refractories (e.g. steel consumption of 80kg per capita is among the lowest in the world).
Magnesite refractories - Steel

**China steel market 2004-2019**

**Rest of world steel market 2004-2019**
MgO is used extensively in Canada, Asia and the USA to produce low-cost, high-strength building materials, ranging from MgO boards to advanced geopolymers. MgO based materials do not expand or shrink when submerged in water or exposed to heat. MgO based products are fire-resistant to 1,200°C. MgO board is flexible, can be drilled, sawed and glued, and is lighter, stronger, and harder than gypsum plasterboard and wallboard. Magnesium phosphate cement has 20% higher compressive strength than Portland cement and is resistant to corrosion. MgO products are potential substitutes for cement, concrete, cement board (fibro), gypsum board, chip board, plywood, natural stone (marble and granite) and ceramic tiles.

Taipei 101 in Taiwan

MgO building materials were extensively used in the construction of Taipei 101.
Magnesite building materials

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Magnesium Oxide Board</th>
<th>Gypsum Board</th>
<th>Plywood/OSB</th>
<th>Cement Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire Resistant &amp; Non-Combustible</td>
<td>Yes</td>
<td>X</td>
<td>X</td>
<td>Yes</td>
</tr>
<tr>
<td>Water &amp; Moisture Resistant</td>
<td>Yes</td>
<td>X</td>
<td>X</td>
<td>Yes</td>
</tr>
<tr>
<td>Mold &amp; Mildew Free</td>
<td>Yes</td>
<td>X</td>
<td>X</td>
<td>Yes</td>
</tr>
<tr>
<td>Insect Resistant</td>
<td>Yes</td>
<td>X</td>
<td>X</td>
<td>Yes</td>
</tr>
<tr>
<td>Nail</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cut/Saw – No special tools</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>X</td>
</tr>
<tr>
<td>Wallpaper over</td>
<td>Yes</td>
<td>Yes</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Tile Backer</td>
<td>Yes</td>
<td>X</td>
<td>X</td>
<td>Yes</td>
</tr>
<tr>
<td>Insulation Sound &amp; Heat</td>
<td>Yes</td>
<td>X</td>
<td>X</td>
<td>Yes</td>
</tr>
<tr>
<td>Environmentally ‘Green’ &amp; Non-Toxic</td>
<td>Yes</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Strong &amp; Durable</td>
<td>Yes</td>
<td>X</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Light Weight</td>
<td>Yes</td>
<td>Yes</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Recyclable</td>
<td>Yes</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
## Magnesite building materials

### MgO board compared to gypsum boards

<table>
<thead>
<tr>
<th>Value</th>
<th>Magnesium oxide board</th>
<th>Gypsum plasterboard</th>
<th>Gypsum wallboard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bending ultimate strength, MPa</td>
<td>27</td>
<td>5,3</td>
<td>3,5</td>
</tr>
<tr>
<td>Density, kg/m³</td>
<td>800-1300</td>
<td>1200</td>
<td>830</td>
</tr>
<tr>
<td>Thermal conductivity, W/m°C</td>
<td>0,32</td>
<td>0,22-0,36</td>
<td>0,18</td>
</tr>
<tr>
<td>Combustibility</td>
<td>Non combustible</td>
<td>Not easily combustible</td>
<td>Not easily combustible</td>
</tr>
<tr>
<td>Thermal linear expansion coefficient</td>
<td>0</td>
<td>0,5-1,5%</td>
<td>0,5-2%</td>
</tr>
<tr>
<td>Facial surface hardness, MPa</td>
<td>5,9 – 8,3</td>
<td>2,2</td>
<td>1,8</td>
</tr>
<tr>
<td>Surface moisture absorption</td>
<td>no more than 0,34%</td>
<td>no more than 3%</td>
<td>no more than 10%</td>
</tr>
<tr>
<td>Vapour permeability, mg/m²h*Pa</td>
<td>0,11-0,14</td>
<td>0,15</td>
<td>0,16</td>
</tr>
</tbody>
</table>
Magnesium alloys are extensively used in production of motor vehicles and aerospace applications.

Because of their stiffness, strength and light weight, magnesium alloys are the preferred material used by car makers to reduce the weight of vehicles to meet emission standards while maintaining user safety and comfort.

Magnesium is extensively used in production of consumer goods including electronics, power tools and accessories.

Because of their strength, low cost and light weight, various magnesium alloys are also used in defence industry. Magnesium-ceramic armour is used for armour plating of combat vehicles. Magnesium-composite armour is used for personal protection. Magnesium has the highest Specific Damping Capacity (SDC) among metals used in armour applications. Enhanced energy absorption and shock mitigation make magnesium an attractive choice in ballistic applications.
### Magnesium-ion vs Lithium-ion

- Magnesium ions carry a double positive charge –vs- single positive charge carried by lithium ions
- Magnesium-ion battery's capacity is 8 to 12 times higher than a lithium-ion battery. Magnesium-ion battery's charge/discharge efficiency is 5 times higher than a lithium-ion battery
- Electric bicycle with a fully depleted lithium-ion battery needs about three hours to recharge fully. If equipped with a magnesium battery, the process would take 36 minutes
- Lithium-ion batteries are usually do not function properly at temperatures below -15°C magnesium batteries still work at temperatures as low as -30°C and as high as +55°C
- Magnesium-ion batteries do not overheat like lithium-ion batteries which caught fire on Boeing Dreamliner in January 2014. Another benefit of magnesium-ion batteries is that they do not use graphite

### Examples

- **Battery powered train undergoing testing**
- **Batteries providing power for above train (Li-Mg-P)**
Magnesium-diboride (MgB2) superconductors can operate at “high” temperature of 40K and have already been commercialised.

Current sectors using MgB2 superconductors
- MRI imaging equipment
- Low-mass high-power electric motors for naval propulsion
- Electromagnetic rail guns

Future sectors
- High-voltage power transmission lines
- Turbo jet electric engines
- Mag-lev high-speed trains

MgB2 superconductor based MRI scanner is half the size of typical MRI scanner and uses less power.
Magnesium-diboride superconductors

Naval propulsion electric motor

Northrop Grumman MgB2 superconductive naval electric motor has the same power as copper motor but is 70% lighter.

Tests of naval propulsion motor

MgB2 superconductive naval propulsion electric motor undergoing “wet” testing under load at Northrop Grumman in US.
Magnesium-diboride superconductors

Mag-Lev train

Magnetic levitation (Mag-Lev) hyper-fast train uses superconductive magnets for suspension and propulsion.

Superconductive power transmission

MgB2 superconductive cabling can carry same load as conventional cabling but with no power loss.
AusMag Pty Ltd

Company status

AusMag is a private company registered and based in Western Australia with one shareholder (Korab) holding 100% of issued shares. AusMag owns 100% of the Winchester deposit and the Mineral Lease ML30587 where it is located.

AusMag is focused on commercialising Winchester magnesium carbonate deposit located near Darwin in the Northern Territory and becoming a leader in magnesium carbonate supply chain.

Memorandum of Understanding signed with interest associated with Chinese steel industry for Capex/Opex funding, offtakes and potential listing of AusMag on Shanghai or Hong Kong Stock Exchange.

Heads of Agreement signed for 1.5 million tonnes offtake (300,000/year over 5 years) with a DPA Oceania.

Advanced discussions with several other parties regarding additional multiple offtakes for up to 600,000/year of magnesium carbonate.

Tenure

The Mineral Lease ML30587 covers 352 hectares and has been granted for an initial period of 25 years to 20 October 2040. ML30587 is located 2km from Batchelor in the Northern Territory.
## Winchester deposit details

- Located 85km from Darwin port
- Year-round access by sealed road
- Simple quarry operation with 800,000tpa RoM capacity supplying crushed raw magnesite rock (MgCO3) in bulk, no processing, just crush and screen
- Annual capacity can be easily increased if demand justifies
- Deposit is a near surface ore body at least 130m thick covered by 6m of clay
- Contractor based operation using truck and shovel, drill and blasting
- May operate year round or on campaign basis depending on annual sales volumes
- Very simple mine infrastructure consisting of graded road, ore and waste pads, dumps and dewatering
- Exceptionally low CAPEX of ~AU$4Mln (~US$3Mln)

## Project development

- Test mining of magnesite
- Drill blasting of magnesite
- Pit and ROM 3D visualisation
- Open pit design
### Project status

- Various tests and studies successfully completed
  - Metallurgical testing, and production of magnesium metal
  - Calcination testing
  - Hydrological studies
  - Environmental studies
- Commercialisation is progressing
  - Recently granted mining lease (to 2040)
  - Offtakes and sales are being secured
  - Mining plan is being updated
  - Plans to increase resource and upgrade resource classification
  - Working with stakeholders and community

### Project location

- Project is located 85km (by road) from Darwin port East Arm wharf which accepts Panamax class bulk carriers.
- Winchester has access to all major Asian ports through nearby Darwin port. It also has direct access to rail and road transport infrastructure.
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Objectives

- Raise Capex/Opex funding as AusMag’s pre-IPO seed capital
- Establish AusMag as low-cost producer of high grade magnesium carbonate rock
- Engage with strategic partners in the major market segments of the industry
- List on Shanghai, or another suitable stock exchange
- Establish strong position for magnesite ore sales and offtakes in multiple target sectors:
  - Refractories
  - Steel and aluminium alloys
  - Building products manufacturers
  - Chemicals, oil/gas and agribusiness
- Develop calcination facility to produce calcined, dead burned and fused magnesia
- Become a world leader in magnesium carbonate supply chain

Priority sectors targeted

- Refractories producers for steel, copper, glass, energy sectors, Advanced discussions with raw materials suppliers to refractories and steel producers
- Magnesium alloys makers and end users (automotive sector). Commenced discussions with major car makers and conglomerates.
- MgO based building materials and prefab commercial/residential construction. HoA for first offtake already signed. Advanced discussions with other parties in this sector
Memorandum of Understanding signed with interest associated with Chinese steel industry for Capex/Opex funding, offtakes and listing on Shanghai or Hong Kong stock exchange. Advanced discussions with other parties associated with steel industry for Capex/Opex funding and offtakes. Discussions with refractories producers regarding offtakes.

Discussions with alloy producers, conglomerates with automotive interests and trading houses operating in magnesium alloy sector.

Heads of Agreement signed with DPA Oceania (subsidiary of US key MgO building materials sector player) for 300KT/y offtake for 5 years (1.5 MT), funding and sale of partial equity in AusMag.

Priority sectors targeted:
- Refractories producers for steel, copper, glass, energy sectors.
- Magnesium alloys makers and end users (automotive sector).
- MgO based building materials and prefab commercial/residential construction.
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Project’s outline

Key information

- Aggregate EBITDA of AU$395 mln over quarry life
- Attractive long-run annual EBITDA of AU$31 mln/year (at 800kt/year sales)
- Low projected operating cost in the lowest quartile of global magnesite projects
- Mineral resource 16.6 MLN tonnes of magnesium carbonate
- Quarry life of 14 years based on indicated resource of 12.2 mln tonnes
- Signed HoA with Australian building products company and MoU with Chinese steel industry interests for project funding and offtakes
- Advanced discussions with other Chinese investors and end users regarding funding, additional offtakes and joint venture to develop the project

EBITDA vs sales volumes

Production target information contained in this report was first disclosed on 10 March 2015. All the material assumptions underpinning the production target, or the forecast financial information derived from a production target disclosed in the initial public report dated 10 March 2015 continue to apply and have not materially changed.
## Operating costs

### Operating cost in AU$ per tonne of magnesite vs production volume

<table>
<thead>
<tr>
<th></th>
<th>SUMMARY</th>
<th>200KT/Y</th>
<th>400KT/Y</th>
<th>800KT/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>WATER MANAGEMENT ($/YR.)</td>
<td>440,000</td>
<td>440,000</td>
<td>440,000</td>
<td></td>
</tr>
<tr>
<td>WASTE DUMPS ($/YR.)</td>
<td>180,000</td>
<td>180,000</td>
<td>180,000</td>
<td></td>
</tr>
<tr>
<td>QUARRY AND CRUSHING ($/YR.)</td>
<td>3,906,452</td>
<td>7,137,186</td>
<td>12,421,015</td>
<td></td>
</tr>
<tr>
<td>SUBTOTAL ($/YR.)</td>
<td>4,526,452</td>
<td>7,757,186</td>
<td>13,041,015</td>
<td></td>
</tr>
<tr>
<td>CONTINGENCY (30%)</td>
<td>1,357,935</td>
<td>2,327,156</td>
<td>3,912,304</td>
<td></td>
</tr>
<tr>
<td>TOTAL ESTIMATE</td>
<td>5,884,387</td>
<td>10,084,342</td>
<td>16,953,319</td>
<td></td>
</tr>
<tr>
<td>CAPACITY OUTPUT - ROM MAGNESITE (T/YR.)</td>
<td>250,000</td>
<td>500,000</td>
<td>1,000,000</td>
<td></td>
</tr>
<tr>
<td>CAPACITY OUTPUT - SALEABLE COARSE MAGNESITE (T/YR.)</td>
<td>200,000</td>
<td>400,000</td>
<td>800,000</td>
<td></td>
</tr>
<tr>
<td>SALEABLE COARSE MAGNESITE COST ($/T)</td>
<td>29</td>
<td>25</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>COARSE MAGNESITE/FINES</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td></td>
</tr>
<tr>
<td>CAPACITY OUTPUT FINES (T/YR.)</td>
<td>50,000</td>
<td>100,000</td>
<td>200,000</td>
<td></td>
</tr>
</tbody>
</table>

Magnesite will be crushed and screened to produce saleable product with no additional processing.

Operating costs (including crushing and screening) range from AU$21/t for 800KT/y production to AU$29/t for 200KT/y production. Transportation costs to port and port charges add $15/t to the estimated cost of the product.

Production can be expanded to 1.6MT/y if the volume of offtakes and sales requires.
Key financials

Development costs

<table>
<thead>
<tr>
<th>Development program</th>
<th>CAPEX estimates from PFS study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop the project initially as a simple quarry at a cost of ~AU$4 mln.</td>
<td></td>
</tr>
<tr>
<td>Multiple avenues to fund the project - development cost can be funded by:</td>
<td>SUMMARY</td>
</tr>
<tr>
<td>equity to be raised from seed investors, commodity bank loan, offtake prepayment, or combination thereof</td>
<td>WATER MANAGEMENT</td>
</tr>
<tr>
<td>MoU and HoA signed with 2 different parties for funding and offtakes</td>
<td>SITE INFRASTRUCTURE</td>
</tr>
<tr>
<td>AusMag is in advanced discussions with further parties regarding funding and offtakes</td>
<td>WASTE DUMPS</td>
</tr>
<tr>
<td>Mining lease granted to 2040 and can be extended for another 25 years. Potential to operate long life mine and provide raw material for refractories production for several decades</td>
<td>QUARRY</td>
</tr>
<tr>
<td></td>
<td>SUBTOTAL</td>
</tr>
<tr>
<td></td>
<td>CONTINGENCY (30%)</td>
</tr>
<tr>
<td></td>
<td>TOTAL ESTIMATE</td>
</tr>
</tbody>
</table>

Capital expenditure is exceptionally low due to very simple quarry operation involving no processing other than crushing and screening. The terrain is flat requiring very little work. Sealed road with high voltage power passes few hundred meters from the deposit. The railway line is 8km from the quarry. Batchelor town with motels, shops and all amenities is 2km from the deposit.
**Project’s costs & benefits**

**Quarry profile**
- Exceptionally low capex of ~AU$4 million (~US$3Mln)
- Mine can be developed in stages and easily expanded
- No need for additional funding once mine is in operation, capacity expansion can be fully funded from cashflow
- Mine can operate at a profit with magnesium carbonate prices as low as US$40/t
- Mine can produce various grades of magnesium carbonate rock depending on customer requirements (from 42% MgO to 46% MgO)
- Drilling has confirmed mineralisation grading around 46% MgO both inside and outside of the current resource and current pit design
- Magnesite mineralisation continues for approximately 8 Km in length. Current JORC mineral resource covers approximately 7% of this mineralised trend.

**EBITDA Sensitivity to MgCO₃ prices**

Aggregate EBITDA using US$0.82 exchange rate to convert prices to AU$
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Winchester magnesium carbonate resource

Winchester deposit and geology

JORC compliant mineral resource estimate was generated from RC and diamond core drilling within a 6%-7% section of the mineralised trend.

JORC resource formed the basis for the design of the open pit.

Drilling over 8km of the mineralised trend shows continuity of mineralisation.

Part of the JORC resource classified as Indicated Resource formed basis for the pre-feasibility study which generated estimates of revenues, costs, EBITDA, NPV, etc..

AusMag plans to update the resource using additional data from RC and diamond core drilling which is to be undertaken in 2016.

Current mining schedule and pit design can be easily amended to accommodate different production schedules and to increase capacity should annual sales and offtakes exceed 800KT/year.

There has been no change to the Winchester mineral resource estimate since it was last reported in the Annual Report 2015. This information was prepared and first disclosed under the JORC Code 2004 on 17 July 2007. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The author of this report is not aware of any new information or data that materially affects the information included in the report released on 17 July 2007 and, in the case of mineral resources that all the material assumptions and technical parameters underpinning the estimates in the report released on 17 July 2007 continue to apply and have not materially changed. The form and context in which the findings of the report released on 17 July 2007 are presented have not been materially modified.

Winchester magnesium carbonate at Winchester

<table>
<thead>
<tr>
<th>At 40% MgO Cut-Off</th>
<th>MgCO Mass ‘000 Tonnes</th>
<th>MgO grade %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicated Resources</td>
<td>12,200</td>
<td>43.1</td>
</tr>
<tr>
<td>Inferred Resources</td>
<td>4,400</td>
<td>43.6</td>
</tr>
<tr>
<td>Total</td>
<td>16,600</td>
<td>43.2</td>
</tr>
</tbody>
</table>

8km long mineralised trend

6%-7% portion of mineralised trend was in-fill drilled to estimate the JORC compliant resource.
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Winchester magnesite quarry plans

**Base case development option**

Conceptual plan of Winchester magnesium carbonate quarry showing open pit, roads, ROM pad, waste pad, crushers, etc..

**Alternative development option**

Conceptual plan of Winchester magnesium carbonate quarry showing open pit, roads, ROM pad, waste pad, crushers, etc..
The dominant player in the magnesite space is China. China is the largest consumer of magnesium oxide and the largest producer. Other key markets are Western Europe, Russia and Eastern Europe. Key growth markets are in India, China and Asia. Economic recovery in USA is likely to spur greater demand for more refractories. Tighter emission standards for cars are likely to lead to greater demand for magnesium alloys. Growth of the commercial and residential construction sectors and increasing adoption of magnesium oxide based building products are likely drivers for increased demand for magnesium carbonate ore.
Magnesium carbonate market is more than 25 times bigger than graphite market and 40 times bigger than lithium carbonate market.

Magnesium-ion batteries are likely to lead to accelerated growth in magnesium carbonate demand at the expense of graphite and lithium carbonate demand growth.

Magnesium carbonate is a low cost raw material input in a greater number of growing sectors than lithium or graphite. Graphite and lithium will continue to have their uses in some sectors but greater availability and much lower cost of magnesium carbonate will lead to its substitution for other minerals wherever possible.

China dominates magnesium carbonate, lithium carbonate and graphite markets.

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MgCO₃ market size relative to other industrial minerals

Growth and relative size

Magnesium carbonate market is more than 25 times bigger than graphite market and 40 times bigger than lithium carbonate market.

Magnesium-ion batteries are likely to lead to accelerated growth in magnesium carbonate demand at the expense of graphite and lithium carbonate demand growth.

Magnesium carbonate is a low cost raw material input in a greater number of growing sectors than lithium or graphite. Graphite and lithium will continue to have their uses in some sectors but greater availability and much lower cost of magnesium carbonate will lead to its substitution for other minerals wherever possible.

China dominates magnesium carbonate, lithium carbonate and graphite markets.
Magnesium carbonate market pricing is opaque and prices are usually negotiated between buyers and sellers on a long-term basis.

Whilst the price of magnesium oxide (MgO) is significantly higher than the price of magnesium carbonate (MgCO3), the changes in prices of MgCO3 tend to reflect changes in prices of MgO. MgO price rose rapidly from 1973 to 2003 and has since stabilised. The price of MgCO3 followed the same pattern.

It is expected that prices of magnesium oxide and magnesium carbonate will hold in their current respective trading range where they have been trading since 2003.

About 70% of the global magnesite deposits are located in China, North Korea, and Russia.
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