AUSMAG PTY LTD

A KORAB COMPANY

Emerging Leader in Magnesium Carbonate Supply Chain

www.korab.com.au

EXCELLENCE IN MAGNESIUM CARBONATE

December 2015

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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

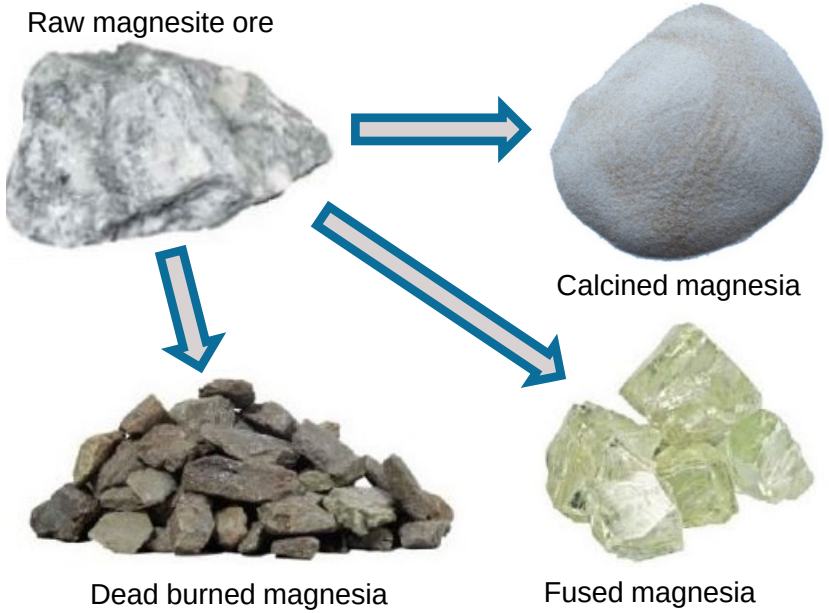
When pure, magnesite contains 47.8% MgO and 52.2% CO2.

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 ye stronger than steel.

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

Magnesium carbonate markets



Magnesium carbonate

Magnesium carbonate markets

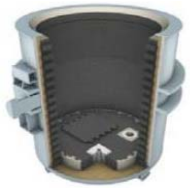
Key established markets

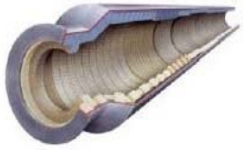
- Refractories - steel, cement, glass, energy, chemicals
- Flame retardants
- Building products - mag wall, MgO board, mag cement, geopolymers
- Magnesium alloys – cars, airplanes, tanks, armoured personnel carriers, other defence uses
- Hydrometallurgy – nickel/cobalt production
- Water purification

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

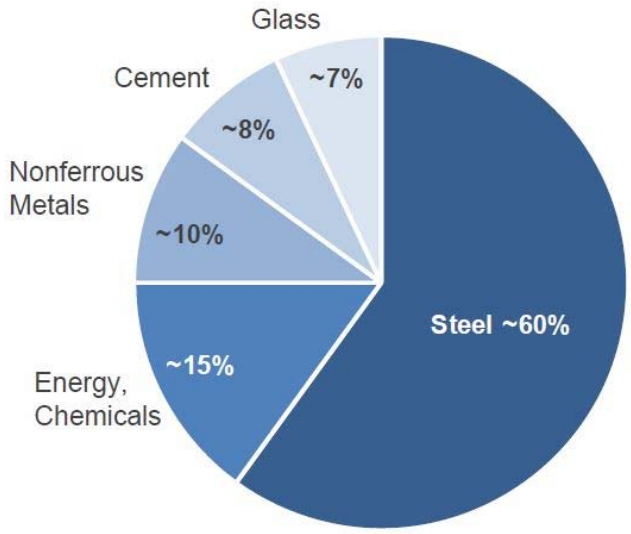








Magnesite refractories

Refractory market



US$30 BLN

Sector drivers

Steel
- Automotive
- Machine building
- Construction
- Shipping

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

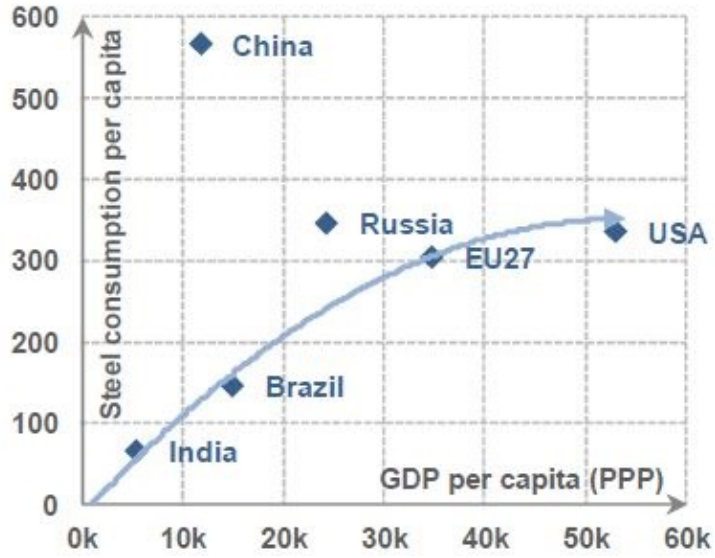
Nonferrous
- Industrial growth
- Infrastructure catch-up

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

Magnesite refractories - Steel

Steel market environment



Per capita steel consumption

Sector drivers

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.

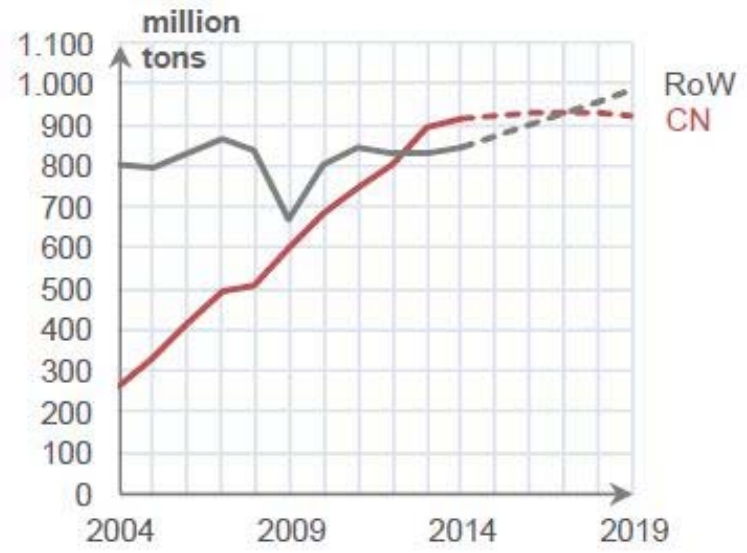
Refractory linings need to be replaced between every 20 minutes and every 2 months depending on steel making process and desired steel quality

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)

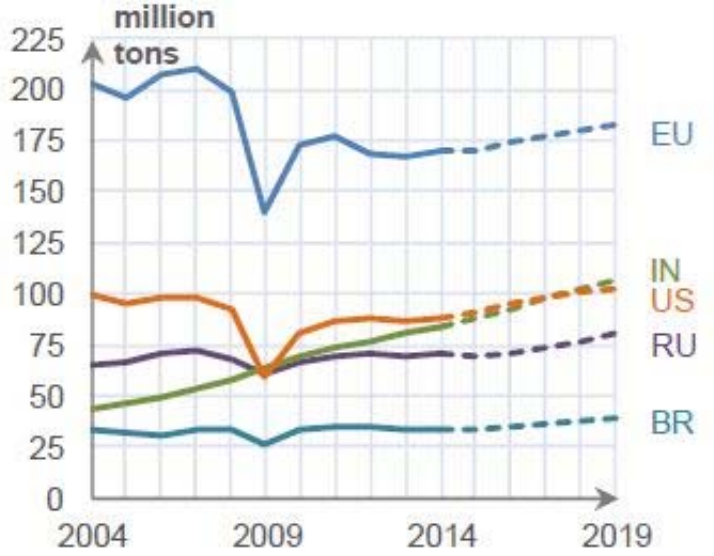
Magnesite refractories - Steel

China steel market 2004-2019



Steel production in millions T

Rest of world steel market 2004-2019



Steel production in millions T

Magnesite building materials

MgO building materials benefits

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

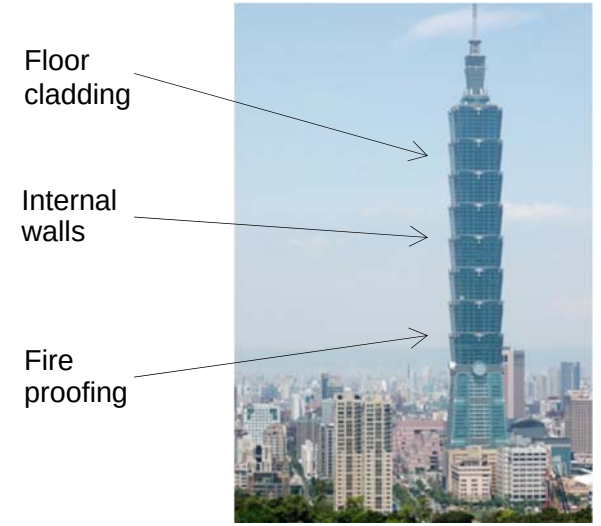
MgO based products are fire-resistant to 1,200 C

MgO board is flexible, can be drilled, sawed and glued, an is up 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

MgO board compared to gypsum board, plywood and cement board

Attributes	Magnesium Oxide Board	Gypsum Board	Plywood/OSB	Cement Board
Fire Resistant & Non-Combustible	Yes	X	X	Yes
Water & Moisture Resistant	Yes	X	X	Yes
Mold & Mildew Free	Yes	X	X	Yes
Insect Resistant	Yes	X	X	Yes
Nail	Yes	Yes	Yes	Yes
Cut/Saw – No special tools	Yes	Yes	Yes	X
Wallpaper over	Yes	Yes	X	X
Tile Backer	Yes	X	X	Yes
Insulation Sound & Heat	Yes	X	X	Yes
Environmentally 'Green' & Non-Toxic	Yes	X	X	X
Strong & Durable	Yes	X	Yes	Yes
Light Weight	Yes	Yes	X	X
Recyclable	Yes	X	X	X

Magnesite building materials

MgO board compared to gypsum boards

Value	Magnesium oxide board	Gypsum plasterboard	Gypsum wallboard
Bending ultimate strength, MPa	27	5,3	3,5
Density, kg/m³	800-1300	1200	830
Thermal conductivity, W/m?°	0,32	0,22-0,36	0,18
Combustibility	Non combustible	Not easily combustible	Not easily combustible
Thermal linear expansion coefficient	0	0,5-1,5%	0,5-2%
Facial surface hardness, MPa	5,9 – 8,3	2,2	1,8
Surface moisture absorption	no more than 0,34%	no more than 3%	no more than 10%
Vapour permeability, mg/m*h*Pa	0,11-0,14	0,15	0,16

Magnesium metal

Magnesium alloys

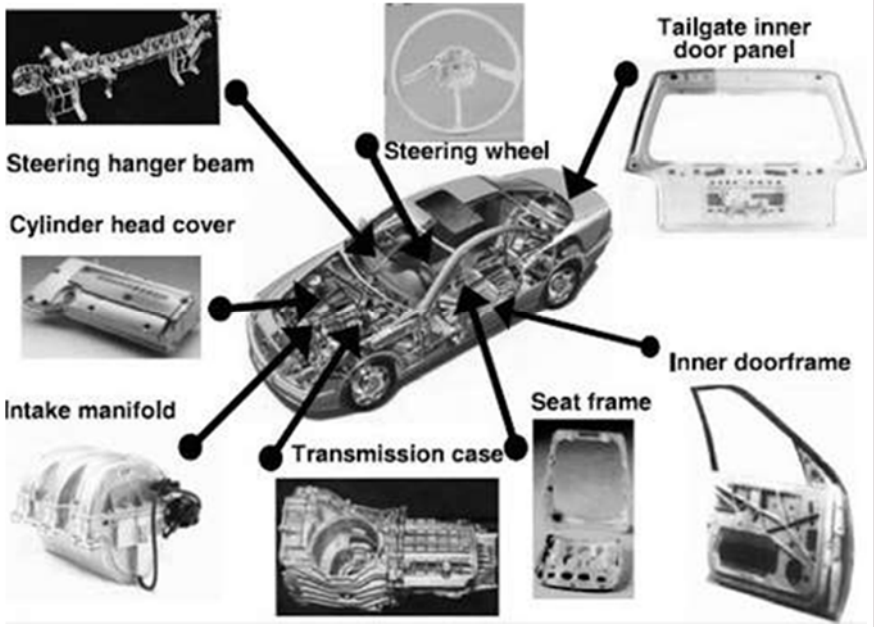
Magnesium alloys are extensively used in production of motor vehicles and aerospace applications

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 alloys used in a car



Magnesium-ion batteries

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 superconductors

Superconductors uses

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

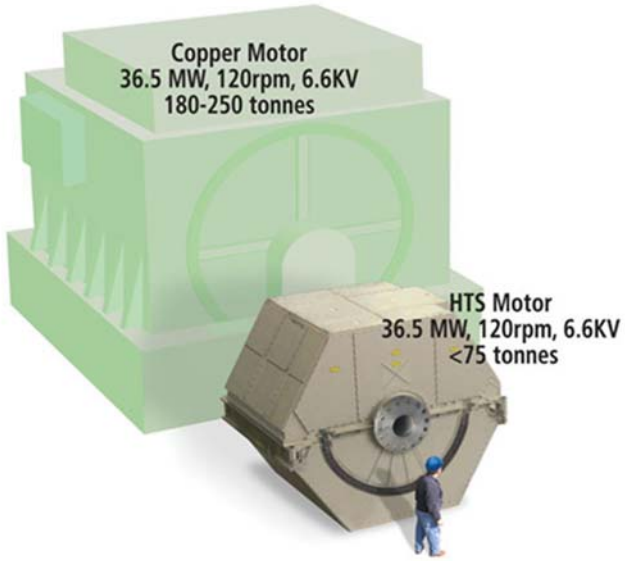
- High-voltage power transmission lines
- Turbo jet electric engines
- Mag-lev highs speed trains

MRI Scanner

MgB2 superconductor based MRI scanner is half the size of typical MRI scanner and uses less power

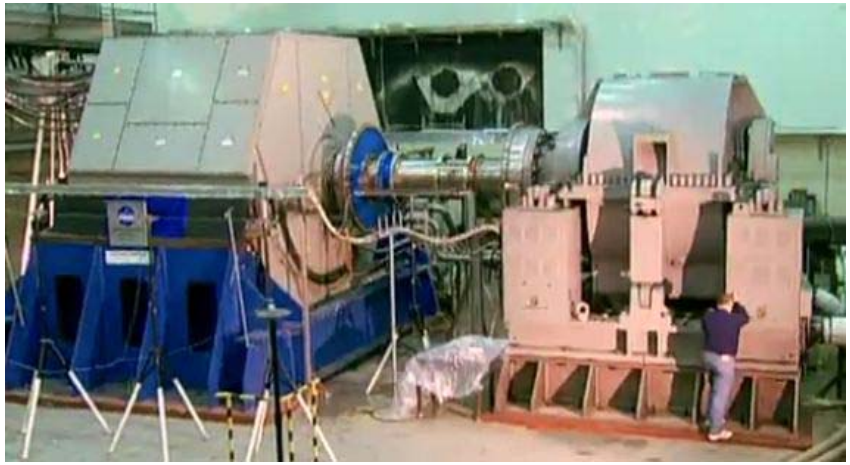
Magnesium-diboride superconductors

Naval propulsion electric motor



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

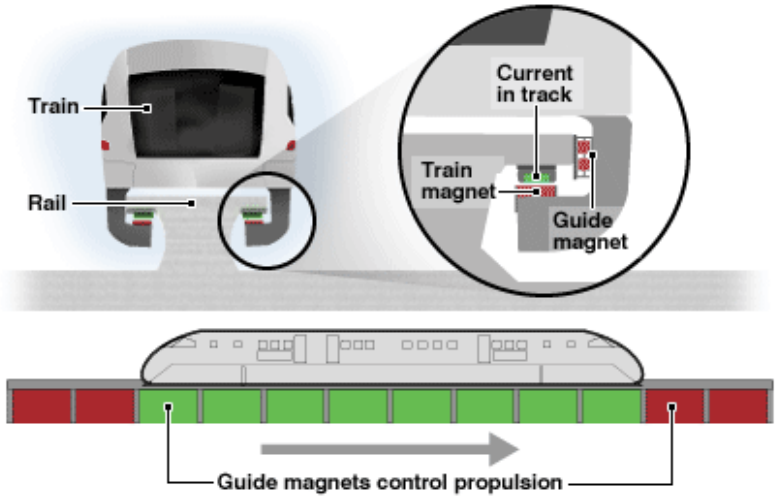
Tests of naval propulsion motor



MgB2 superconductive naval propulsion electric motor undergoing “wet’ testing under load at Northrop Grumman in US

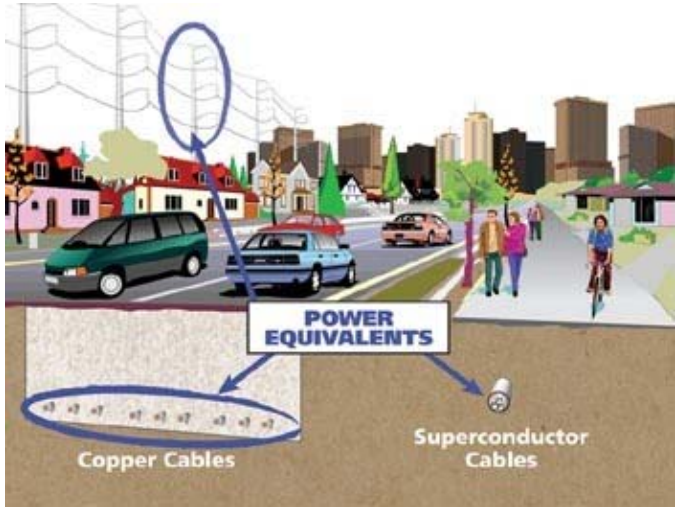
Magnesium-diboride superconductors

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

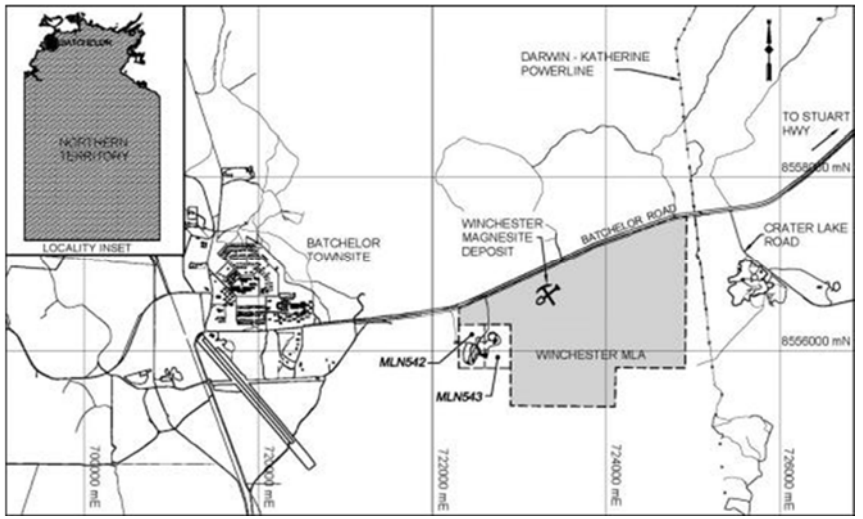
AusMag is focused on commercialising Winchester magnesium carbonate deposit located near Darwin in the Northern Territory and becoming a leader in magnesium carbonate supply chain

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

AusMag Pty Ltd

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 ($MgCO_3$) 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

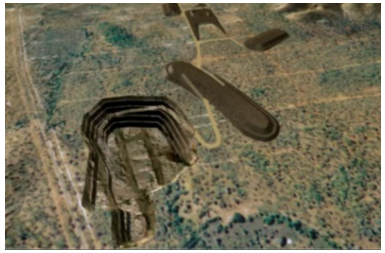
Very simple mine infrastructure consisting of graded road, ore and waste pads, dumps and dewatering

Exceptionally low CAPEX of ~AU$4Mln (~US$3Mln)

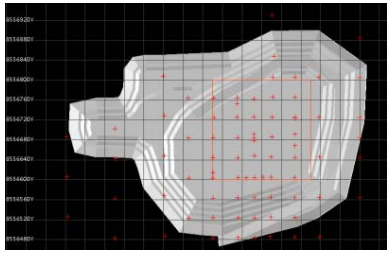
Project development

Test mining of magnesite

Drill blasting of magnesite



Pit and ROM 3D visualisation



Open pit design

AusMag Pty Ltd

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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Strategy to 2020

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:

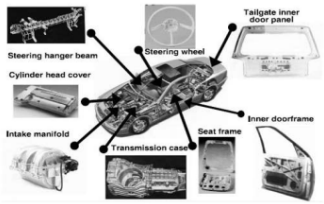
- Refractories
- Steel and aluminium alloys
- Building products manufacturers
- Chemicals, oil/gas and agribusiness

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

Strategy to 2020

Current status

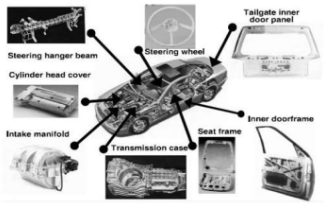
Memorandum of Understanding signed with interest associated with Chinese steel industry for Capex/Opex funding, offtakes and listing on Shanghai or Hong Kong stock exchange. Advanced discussions with other parties associated with steel industry for Capex/Opex funding and offtakes. Discussions with refractories 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

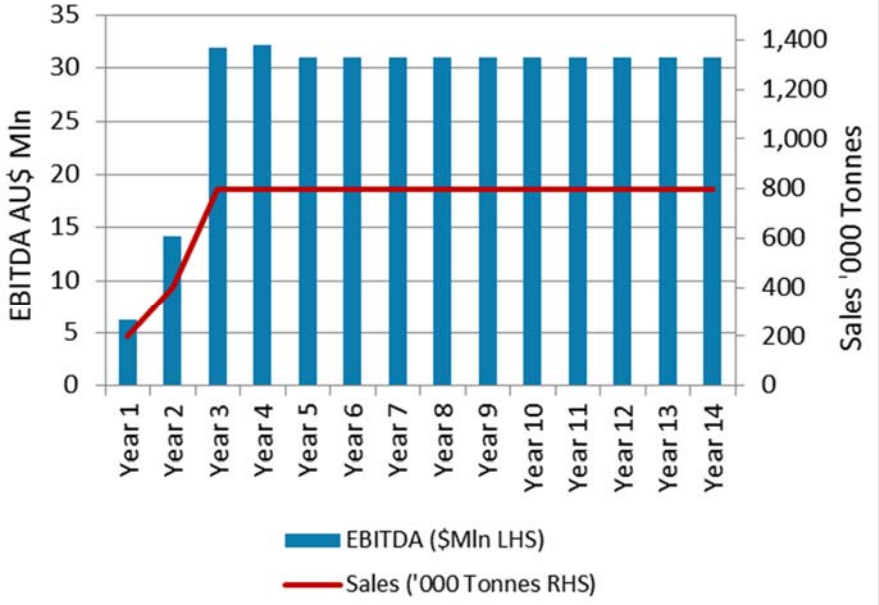
Mineral resource 16.6 MLN tonnes of magnesium carbonate

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



Annual EBITDA using US$80/T price and US$0.82 exchange rate to AU$

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

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

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

Development costs

Development program

Develop the project initially as a simple quarry at a cost of ~AU$4 mln.

Multiple avenues to fund the project - development cost can be funded by:

equity to be raised from seed investors,
commodity bank loan,
offtake prepayment, or
combination thereof

MoU and HoA signed with 2 different parties for funding and offtakes

AusMag is in advanced discussions with further parties regarding funding and offtakes

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

CAPEX estimates from PFS study

SUMMARY	AU$
WATER MANAGEMENT	626,810
SITE INFRASTRUCTURE	1,079,310
WASTE DUMPS	108,925
QUARRY	1,293,290
SUBTOTAL	**3,108,335**
CONTINGENCY (30%)	932,501
TOTAL ESTIMATE	**4,040,836**

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

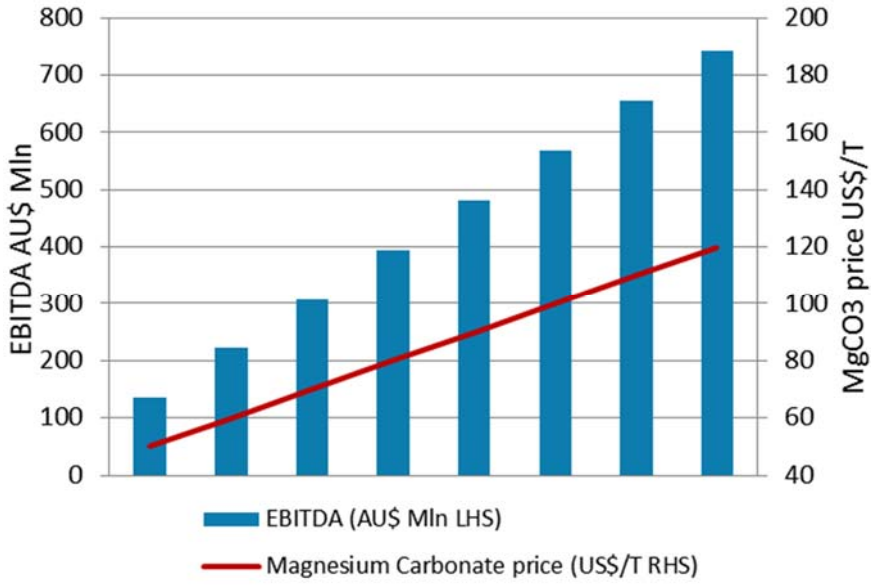
Mine can operate at a profit with magnesium carbonate prices as low as US$40/t

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 $MgCO_3$ 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

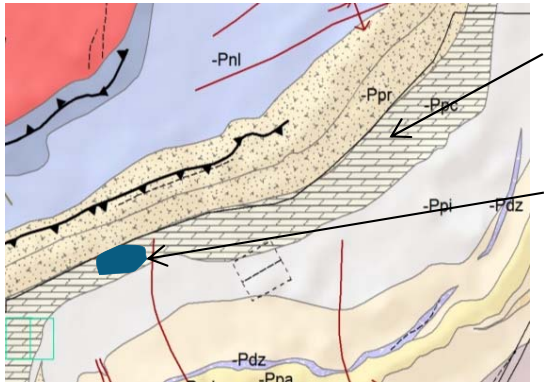
Part of the JORC resource classified as Indicated Resource formed basis for the pre-feasibility study which generated estimates of revenues, costs, EBITDA, NPV, etc..

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

Magnesium carbonate at Winchester

At 40% MgO Cut-Off	MgCO Mass '000 Tonnes	MgO grade %
Indicated Resources	12,200	43.1
Inferred Resources	4,400	43.6
Total	**16,600**	**43.2**



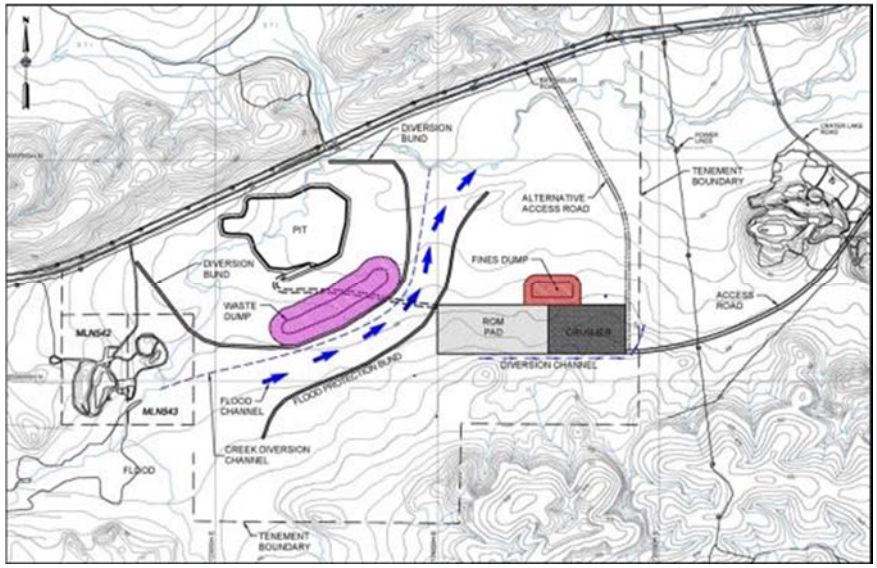
8km long mineralised trend

6%-7% portion of mineralised trend was in-fill drilled to estimate the JORC compliant resource

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.

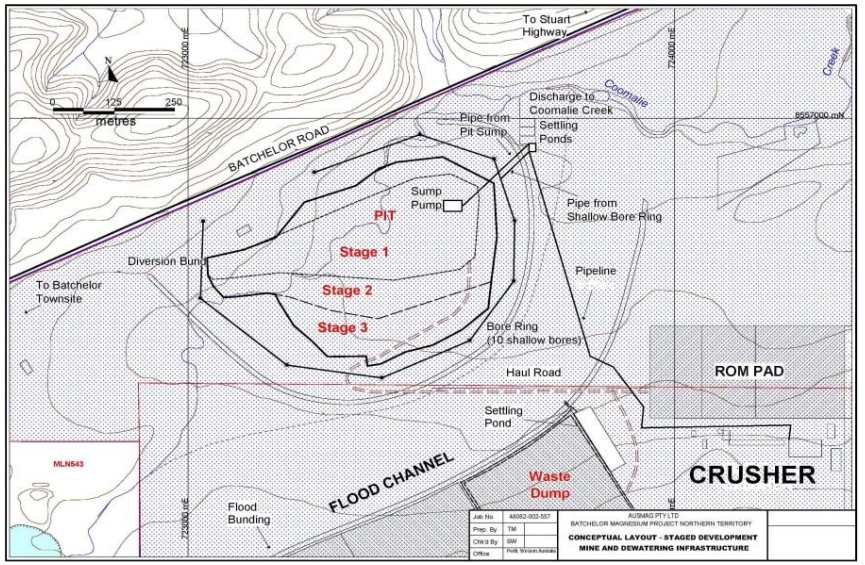
Winchester magnesite quarry plans

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..

Magnesium oxide consumption by country

China dominates consumption

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

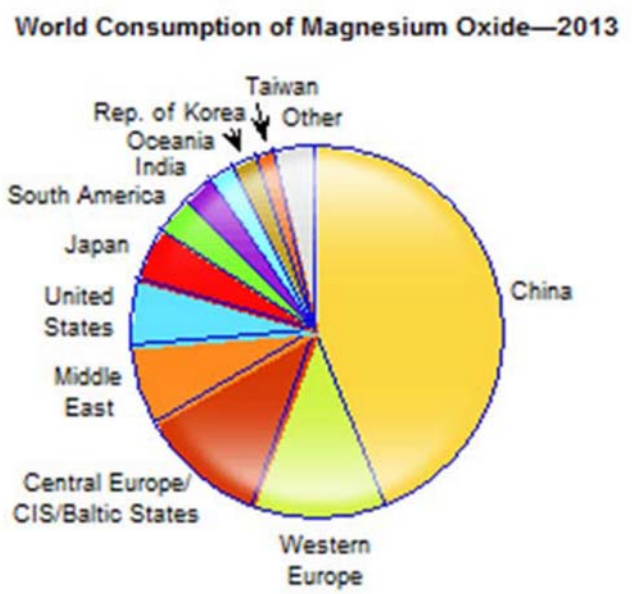
Key growth markets are in India, China and Asia

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

Consumption by Country



$MgCO_3$ market size relative to other industrial minerals

Growth and relative size

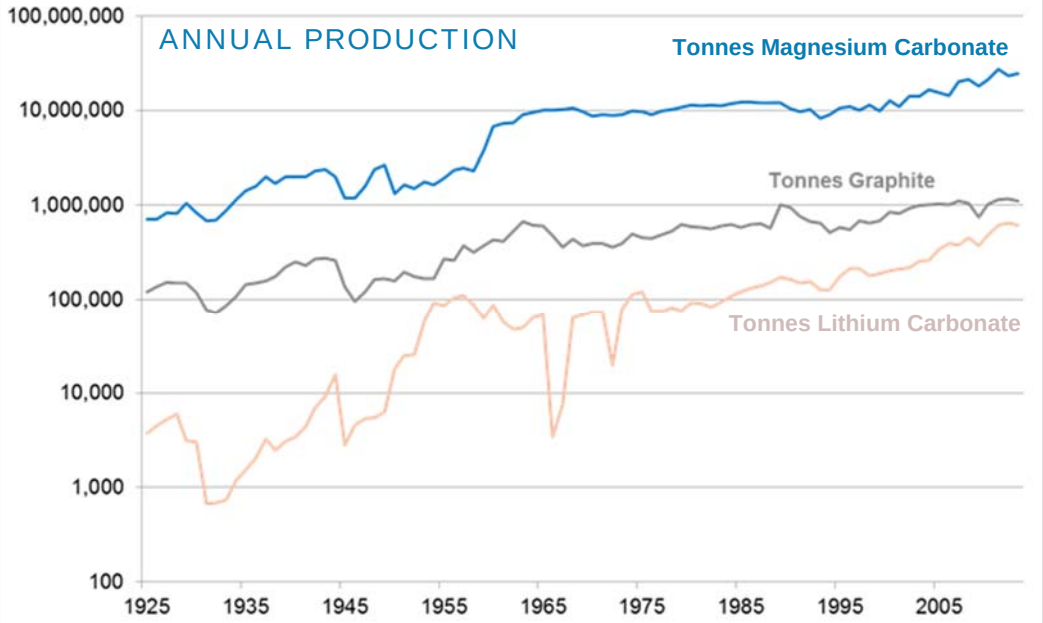
Magnesium carbonate market is more than 25 times bigger than graphite market and 40 times bigger than lithium carbonate market

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

Magnesite, graphite and lithium (1925-2013)



MgO price growth and likely developments

MgO prices

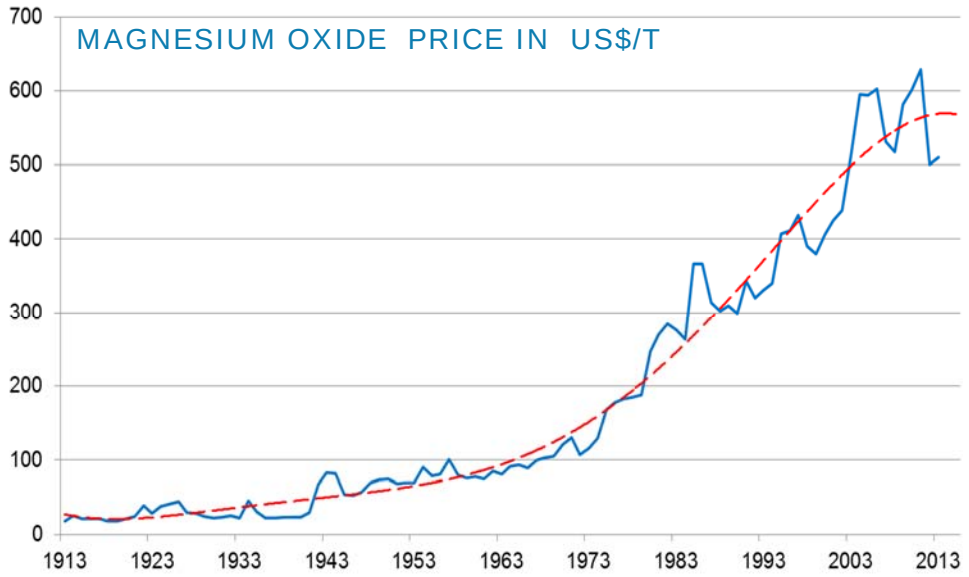
Magnesium carbonate market pricing is opaque and prices are usually negotiated between buyers and sellers on long term basis

Whist 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

Magnesia (MgO) pricing (1925-2013)



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