



KORAB RESOURCES LIMITED

ABN 17 082 140 252

**INTERIM FINANCIAL REPORT
31 DECEMBER 2019**

Contents	Page
DIRECTORS' REPORT	1
AUDITOR'S INDEPENDENCE DECLARATION.....	4
CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME.....	5
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	8
NOTES TO THE FINANCIAL STATEMENTS.....	9
DIRECTORS' DECLARATION	14
INDEPENDENT AUDITOR'S REVIEW REPORT	15

DIRECTORS' REPORT

Your directors submit the financial report for Korab Resources Limited ("Korab") and its subsidiaries ("consolidated entity" or "Group") for the half-year ended 31 December 2019.

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Andrej K. Karpinski	Executive Chairman
Daniel A. Smetana	Non-Executive Director (resigned 1 January 2020)
Rodney H.J. Skeet	Non-Executive Director
Anthony G Wills	Non-Executive Director

Review of Operations

During the period Korab Group continued exploration and evaluation of its mineral assets, as well as the progression of the Winchester magnesium carbonate deposit to production.

WINCHESTER MAGNESIUM CARBONATE PROJECT (NT)

As previously reported to the market on 12 September 2018 and in subsequent report on 5 April 2019, the Company intends to produce raw magnesium carbonate rock which will be crushed and screened on-site at the Winchester quarry, as well as high grade and low grade CCM, and DBM which will be processed off-site using toll-processing through kilns owned by third-parties. Consequently the production of CCM and DBM will not require additional capital investment.

Korab Group continued discussions and negotiations with various parties including trading houses, refractory ceramics producers, other potential buyers of magnesium carbonate rock, CCM, and DBM, as well as kiln operators, and equipment suppliers. Discussions with interested parties are ongoing but are incomplete and details are confidential. There can be no certainty that any agreement or agreements can be reached or that any transaction will eventuate from these discussions. Other than the agreement with ZM Ropczyce reported during the March 2019 quarter, no commercial terms have been agreed between the parties. Accordingly, no investment decision should be made on the basis of this information. Korab will advise the market if and when an agreement or agreements regarding offtakes and/or toll-treatment have been reached.

Korab continued the work on the permitting for the Winchester quarry. On 2 July 2019, Korab provided an update on the permitting progress.

BATCHELOR/GREEN ALLIGATOR POLYMETALLIC PROJECT (NT)

Korab continued exploration and evaluation of Batchelor/Green Alligator project with particular focus on gold, cobalt, nickel, lead, and base metals. No reportable exploration results (as the term is defined in the section 18 of the 2012 JORC code) were generated. Korab has also continued discussions with third parties regarding potential JV's to explore the project for various commodities. The Company has also continued discussions with third parties regarding a potential toll treatment of gold ore stockpiled at the Sundance gold mine located near Winchester magnesium carbonate deposit, within mining leases MLN542 and MLN543 (which are also owned by Korab).

GEOLSEC ROCK PHOSPHATE PROJECT (NT)

During the quarter Korab Group focused on other mineral assets and consequently exploration work at the Geolsec project was limited. An unrelated company (the Miner), which is sub-leasing the Geolsec phosphate project from Korab Group (as reported to the market on 25 July 2018), has advised Korab that it is working on its own development plans including the permitting for the Geolsec phosphate quarry prior to commencing extraction of the phosphate rock for export. Korab has not received to date any payments from the Miner in respect of this project.

DIRECTORS' REPORT (continued)**BOBRIKOVO GOLD AND SILVER PROJECT (UKRAINE)**

On 24 September 2019 Korab Group reported that it has received notification from its Ukrainian subsidiary "DKL" that on the basis of the Executive Order/Decree of the President of Ukraine, all exploration licences, mining permits, and leases held by "DKL" whose term would have otherwise expired, have been prolonged until the end of the hostilities in the Luhansk region. Notwithstanding the uncertain situation in eastern Ukraine where the project is located, Korab Group continued engagement with stakeholders, contractors, advisers, and potential partners/investors with the view to a JV, sub-leasing, sale, or re-commencing operations at this project.

MT. ELEPHANT/ASHBURTON DOWNS PROJECT (WA)

Korab Group, in conjunction with Great Fingall Mining Company NL (GFMC), which holds the option to acquire the project (as reported to the market on 25 July 2018), continued the exploration and evaluation of the Mt. Elephant project focusing primarily on its gold and base metals potential. No reportable exploration results (as the term is defined in the section 18 of the 2012 JORC code) were generated. GFMC covered the costs associated with tenement maintenance and the exploration and evaluation work within the project.

The transaction covers the Mt. Elephant Project located in the Ashburton Mineral Field south of Paraburdoo in Western Australia. Mt. Elephant consists of 5 granted exploration licences E08/2757, E 52/2724, E08/2307, E08/2756, and E 08/2115 ("Tenements"). Exploration licence E08/2115 is subject to forfeiture application as reported to ASX on 12 June 2018.

Whilst GFMC is responsible for the exploration, and other costs associated with Mt. Elephant Project, Korab Group is providing exploration management and tenement management support to GFMC. GFMC reimburses Korab for provision of these services, as well as fully funds the third party costs associated with the exploration and management of the Mt. Elephant Project (other than the costs of defending the forfeiture application).

Corporate

The Company reported a consolidated loss after taxation for the period of \$282,166 (31 December 2018: loss of \$263,837), primarily relating to corporate compliance and administration costs of \$352,937 (31 December 2018: \$350,015).

On 11 July 2019 the Company issued 5,000,000 shares at 3.1 cents per share to raise \$155,000 to unrelated exempt investors.

On 18 July 2019 the Company issued 400,000 shares at 3.5 cents per share to raise \$14,000 to unrelated exempt investors.

On 17 October 2019, Korab lodged a Cleansing Prospectus (the Prospectus) with the ASIC and the ASX. The primary purpose of the Prospectus was to remove any trading restrictions that may have attached to shares issued by the Company without disclosure under Chapter 6D of the Corporations Act prior to the date of the Prospectus. Korab did not issue any new shares under the Prospectus as the purpose of the Prospectus was not to raise capital.

On 25 October 2019 the Company announced that agreement had been reached with Great Fingal Mining Company ("GFMC") to extend their option to acquire the Mt Elephant Project until 21 June 2020 for a fee of \$10,000.

On 16 December 2019 the Company issued 4,500,000 shares at 1.1 cents per share to raise \$49,500 to unrelated exempt investors.

Events subsequent to the end of the reporting period

On 27 November 2019, Korab advised of the upcoming retirement of Daniel A. Smetana as a director of the Company. On 2 January 2020, Korab advised that Mr. Smetana has retired as of 1 January 2020.

On 16 December 2019 the Company announced a non-renounceable underwritten one for three rights issue at 1.1 cents per share to raise up to \$1,160,000, of which a director related entity would underwrite up to \$400,000 as a set off against monies owed. This offer was withdrawn on 29 January 2020 with all application monies to be returned to applicants.

On 16 January 2020, Korab provided an operations update regarding the Winchester project, Bobrikovo project, and Mt. Elephant project.

On 10 February 2020 the Company issued 10,793,498 shares at 1.1 cents per share to raise \$118,728 to unrelated exempt investors with funds to be used for working capital, progression of the Winchester project permitting, and to reduce liabilities.

DIRECTORS' REPORT (continued)

No other matter or circumstance has arisen since 31 December 2019 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s306(3) of the Corporations Act 2001.



.....
Andrej K. Karpinski
Executive Chairman

13 March 2020

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Korab Resources Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
13 March 2020



D I Buckley
Partner

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

		Consolidated	
	Notes	31 December 2019 \$	31 December 2018 \$
Revenue	2	10,000	50,000
Finance income		44,945	43,182
Other income		10,527	9,900
Foreign exchange (loss)		-	(5,040)
Finance expense		(109,515)	(91,325)
Other expenses		-	(5,938)
Corporate compliance and administration		(352,937)	(350,015)
Occupancy costs		(13,017)	(20,390)
Contractor expenses capitalised	3	130,109	137,996
Conference, travel and public relations		(2,278)	(32,207)
Loss before income tax		(282,166)	(263,837)
Income tax expense		-	-
Loss for the half-year		(282,166)	(263,837)
Other comprehensive income for the half-year net of income tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on translation of foreign operations		-	-
Total comprehensive loss for the half-year		(282,166)	(263,837)
Basic and diluted loss per share (cents per share)		(0.09)	(0.09)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31 December 2019 \$	30 June 2019 \$
Current assets			
Cash and cash equivalents		85,252	82,716
Trade and other receivables		68,974	59,416
Total current assets		<u>154,226</u>	<u>142,132</u>
Non-current assets			
Trade and other financial assets		1,082,559	1,066,756
Exploration and evaluation	3	2,910,682	2,858,610
Total non-current assets		<u>3,993,241</u>	<u>3,925,366</u>
Total assets		<u>4,147,467</u>	<u>4,067,498</u>
Current liabilities			
Trade and other payables		581,589	521,037
Loans and other borrowings		60,660	118,445
Total current liabilities		<u>642,249</u>	<u>639,482</u>
Non-current liabilities			
Loans and borrowings		1,865,872	1,725,004
Total non-current liabilities		<u>1,865,872</u>	<u>1,725,004</u>
Total liabilities		<u>2,508,121</u>	<u>2,364,486</u>
Net assets		<u>1,639,346</u>	<u>1,703,012</u>
Equity			
Contributed equity	4	19,256,075	19,037,575
Foreign currency translation reserve		(997,078)	(997,078)
Non-controlling interest contribution reserve		(1,036,227)	(1,036,227)
Accumulated losses		(15,583,424)	(15,301,258)
Total equity		<u>1,639,346</u>	<u>1,703,012</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Contributed Equity	Foreign Currency Translation Reserve	Non- controlling Interest Contribution Reserve	Option Reserve	Accumulated Losses	Total Equity
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	18,785,455	(997,078)	(1,036,227)	-	(14,757,878)	1,994,272
Loss for the period	-	-	-	-	(263,837)	(263,837)
Total comprehensive loss for the period	-	-	-	-	(263,837)	(263,837)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued for cash	101,500	-	-	-	-	101,500
Balance at 31 December 2018	18,886,955	(997,078)	(1,036,227)	-	(15,021,715)	1,831,935
Balance at 1 July 2019	19,037,575	(997,078)	(1,036,227)	-	(15,301,258)	1,703,012
Loss for the period	-	-	-	-	(282,166)	(282,166)
Total comprehensive loss for the period	-	-	-	-	(282,166)	(282,166)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued for cash	218,500	-	-	-	-	218,500
Balance at 31 December 2019	19,256,075	(997,078)	(1,036,227)	-	(15,583,424)	1,639,346

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(86,596)	(51,741)
Interest received	152	152
Interest paid	(15,569)	(3,364)
Net cash flows (used in) operating activities	<u>(102,013)</u>	<u>(54,953)</u>
Cash flows from investing activities		
Exploration and evaluation expenditure reimbursed	184,309	126,983
Exploration and evaluation expenditure	(105,899)	(62,107)
Net cash flows from investing activities	<u>78,410</u>	<u>64,876</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	218,500	101,500
Proceeds from applications for ordinary shares to be refunded	48,661	-
Proceeds from borrowings	83,800	38,500
Option fee received	10,000	50,000
Repayment of advances from other entities	28,990	24,910
Repayments of borrowings	(363,812)	(219,200)
Net cash flows from / (used in) financing activities	<u>26,139</u>	<u>(4,290)</u>
Net increase in cash and cash equivalents	2,536	5,633
Cash and cash equivalents at the beginning of the half- year	<u>82,716</u>	<u>24,069</u>
Cash and cash equivalents at the end of the half-year	<u>85,252</u>	<u>29,702</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****Statement of compliance**

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This interim report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Korab Resources Limited and its subsidiaries during or since the end of the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2019.

Going concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the group's assets and the discharge of its liabilities in the normal course of business. At balance date, the group had an excess of current liabilities over current assets of \$488,023 (30 June 2019: \$497,350) and net cash outflows from operations for the period of \$102,013 (31 December 2018: \$54,953). The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

The Group will need to seek additional funding in the coming year in order to meet its operating expenditure and planned exploration expenditure for the next twelve months from the date of signing these financial statements. The directors are confident of being able to obtain additional funding through increase in debt, raising of additional share capital, or sale of assets. Should this not occur, or not occur on a sufficiently timely basis, there is a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Significant accounting policies**

The half-year condensed consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2019 other than noted below.

Standards and Interpretations applicable to 31 December 2019

In the period ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting periods beginning on or after 1 July 2019.

AASB 16 Leases

AASB 16 replaces AASB 117 Leases. AASB 16 removes the classification of leases as either operating leases or finance leases-for the lessee – effectively treating all leases as finance leases. AASB 16 is applicable to annual reporting periods beginning on or after 1 July 2019.

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet, which AASB 16 is applicable to. The consolidated entity does not have any operating leases .

The main differences between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. The consolidated entity does not have any finance leases .

Other than the above, the Directors have determined that there is no material impact of the other new and revised Standards and Interpretations on the Company and therefore, no material change is necessary to group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2019. As a result of this review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the group and, therefore, no change is necessary to group accounting policies.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

NOTE 2: REVENUE

	Consolidated	
	6 months ended 31 December 2019 \$	6 months ended 31 December 2018 \$
Option fee – over time revenue	10,000	50,000
	10,000	50,000

NOTE 3: EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	6 months ended 31 December 2019 \$	12 months ended 30 June 2019 \$
<i>Areas of interest in the exploration and evaluation phase:</i>		
Cost at beginning of the year	3,013,829	2,904,763
Capitalised contractor fees	130,109	322,946
Other expenditure capitalised during the period	131,341	140,941
Expenditure reimbursed and reimbursable	(209,378)	(354,821)
Cost at end of the year	3,065,901	3,013,829
Impairment provision	(155,219)	(155,219)
Carrying amount at the end of the year	2,910,682	2,858,610

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

Australian Copper Pty Ltd and Australian Copper Holdings Pty Ltd (together Auscopper) granted an option to Great Fingall Mining (“GFM”) to acquire the tenements forming Mt. Elephant project for a consideration of \$500,000. Consequently, Auscopper booked an impairment expense of \$Nil in the current period, and \$155,219 in a prior period. GFM paid the Company an option fee of \$10,000 in the current period. Under the option agreement, this third party is responsible for all exploration, overheads, and tenement maintenance costs including the shire rates and tenement rent in respect of the tenements forming the Mt. Elephant Project. These costs are included in the expenditure reimbursed and reimbursable.

Australian Copper Holdings Pty Ltd (part of the Group) is responsible for the costs of defence of the forfeiture application in respect of one of the Mt. Elephant tenements.

The Directors are of the opinion that whilst the tenure of the Bobrikovo project and related operations are not affected by the current political developments in Ukraine, the uncertainty as to the future direction of the developments there makes it prudent to be conservative. The exploration and evaluation expenditure attributable to the Bobrikovo project has been written-off at consolidation level in earlier reporting periods to reflect this conservative approach.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

NOTE 4: CONTRIBUTED EQUITY

	Consolidated			
	6 months ended 31 December 2019		12 months ended 30 June 2019	
	Number	\$	Number	\$
<i>Movements in ordinary shares on issue</i>				
Balance at beginning of period	311,799,483	19,037,575	303,355,982	18,785,455
Issue of shares for cash	9,900,000	218,500	8,443,501	252,120
Balance at end of period	<u>321,699,483</u>	<u>19,256,075</u>	<u>311,799,483</u>	<u>19,037,575</u>

NOTE 5: CONTINGENT LIABILITIES

Australian Copper Holdings Pty Ltd is responsible for defending the forfeiture action in respect of one of the Mt. Elephant Project tenements. Should it be forfeited the Great Fingall Mining Company NL (GFM) which has an option Mt. Elephant Project will have 30 days to decide if it wants to terminate the option. If GFM so terminates the option, Auscopper will refund GFM the \$70,000 option fee plus 50% of the exploration expenditure, tenement rent, and local government rates paid for by GFM in respect of the Project. Directors believe that the forfeiture action is frivolous, vexatious and an abuse of process and that Australian Copper Holdings Pty Ltd will successfully defend this forfeiture action.

Other than above in the opinion of the directors there were no material changes in contingent liabilities that existed as at 30 June 2019.

NOTE 6: SEGMENT REPORTING

The group has adopted AASB 8 *Operating Segments* which requires operating segments to be identified on the basis of internal reports about components of the group that are reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance. The Executive Chairman of Korab Resources Limited reviews internal reports prepared as consolidated financial statements and strategic decisions of the group are determined upon analysis of these internal reports.

During the period, the group operated predominantly in one business segment being the minerals exploration sector. Accordingly, under the 'management approach' outlined only one operating segment has been identified and no further disclosure is required in the notes to the consolidated financial statements.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

On 16 December 2019 the Company announced a non-renounceable underwritten one for three rights issue at 1.1 cents per share to raise up to \$1,160,000, of which a director related entity would underwrite up to \$400,000 as a set off against monies owed. This offer was withdrawn on 29 January 2020 with all application monies to be returned to applicants.

On 10 February 2020 the Company issued 10,793,498 shares at 1.1 cents per share to raise \$118,728 to unrelated exempt investors with funds to be used for working capital, progression of the Winchester project permitting, and to reduce liabilities.

No other matter or circumstance has arisen since 31 December 2019 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs.

NOTE 8: FINANCIAL INSTRUMENTS

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to previous reporting period. The carrying value of financial assets and financial liabilities are considered to be a reasonable approximation of their fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

NOTE 9: RELATED PARTY TRANSACTIONS

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Consolidated	
	6 months ended 31 December 2019 \$	6 months ended 31 December 2018 \$
Non-executive directors' fees accrued and converted to loans	36,833	39,000
Non-executive directors' fees paid and payable	36,833	39,000
Management contract fees accrued and converted to loans	163,500	163,500
Management contract fees paid and payable	163,500	163,500

Statement of Financial Position

During a prior period the directors and Rheingold agreed to suspend payments of the executive services fees (management contract fees) and directors' fees. The unpaid fees are being accrued. The balance of outstanding liabilities to Rheingold, Mr Karpinski and his related entities at period end for loans to the parent entity and unpaid fees is \$554,690 (30 June 2019: \$562,939) at an average interest rate of 12%. This aggregate amount consists of loans of \$Nil (30 June 2019: \$29,291) and \$551,996 at an interest rate of 12% (30 June 2019: \$533,648). The loans and unpaid fees are not payable prior to 31 March 2021. These loans and debt become payable immediately on change of control of Korab. Mr. Karpinski has not received any directors' fees from Korab or its subsidiaries since the formation of Korab in March 1998. During the reporting period accrued directors' fees and Rheingold management contract fees were converted to loans and some of the prior year loans were repaid by Korab.

The balance of outstanding liabilities to Mrs. Karpinski, at period end for loan to the parent entity is 86,075 United States Dollars (A\$123,220 at the applicable foreign exchange rate) (30 June 2019: 80,754 United States Dollars, or A\$115,633 at applicable foreign exchange rate) at an interest rate of 12.00%. The loan is not payable prior to 31 March 2021. This loan becomes payable immediately on change of control of Korab.

The balance of outstanding liabilities to directors, excluding Mr. Karpinski, and their related entities at period end for loans to the parent entity and unpaid fees is \$973,194 (30 June 2019: \$883,208) at the average interest rate of 12% pa. The loans and unpaid fees are not payable prior to 31 March 2021.

Mr Andrej Karpinski is a director and significant shareholder of Polymetallica Minerals Limited (formerly Uranium Australia Ltd). The balance of outstanding receivables from Polymetallica Minerals Limited at period end is \$1,070,664 (30 June 2019: \$1,054,861) at an interest rate of 8.5%. The receivable is not payable prior to 31 March 2021. The balance of outstanding receivables from Polymetallica Minerals Limited consist of funds provided by the Company to pay for tenement rents and other project related costs in relation to projects where the Company and Polymetallica have, or had joint venture arrangements, and/or production sharing agreements, plus any accrued interest. These joint venture arrangements and/or production sharing agreements were established when Polymetallica was a subsidiary of the Company prior to Polymetallica being demerged (spun-off) from the Company. The Company has the registered security over all current and future assets of Polymetallica until the debt owing to the Company and any accrued interest is repaid in full. During the half-year Polymetallica repaid the Company \$28,990 (2018: \$24,910) of the debt with interest of \$44,793 (2018: \$43,030) accruing.

Other than disclosed above there were no related party transactions during the period.

DIRECTORS' DECLARATION

In the opinion of the directors of Korab Resources Limited ('the company'):

1. The attached financial statements and notes thereto as set out on pages 5 to 13 are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year then ended.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



Andrej K. Karpinski
Executive Chairman

13 March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Korab Resources Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Korab Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Korab Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
13 March 2020



D I Buckley
Partner