KORAB RESOURCES LIMITED

AND CONTROLLED ENTITIES

ABN 17 082 140 252

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

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CORPORATE DIRECTORY

DIRECTORS

Andrej K. Karpinski (Executive Chairman)
Rodney H.J. Skeet (Non-Executive Director)
Malcolm J. McKenzie (Non-Executive Director)

COMPANY SECRETARY

Andrej K. Karpinski

REGISTERED & PRINCIPAL OFFICE

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West Perth WA 6005
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Facsimile: (08) 9322 6333
E-mail: information@korabresources.com.au
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AUDITORS

HLB Mann Judd
Level 4
130 Stirling Street
Perth WA 6000

SHARE REGISTRY

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Sydney, South NSW 1235
Telephone: 1300 554 474
International Telephone: +61 2 8280 7761
Facsimile: (02) 9287 0303
Email: registrars@linkmarketservices.com.au

SECURITIES EXCHANGE LISTING

Securities of Korab Resources Limited are listed on ASX Limited
(securities code KOR: shares)
(securities code KORO: options)

DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity, being Korab Resources Limited ("Korab" or "Company") and its subsidiaries ("consolidated entity" or "group"), at the end of and for the year ended 30 June 2013. Korab Resources Limited is a listed public company incorporated and domiciled in Australia.

(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

	2013	2012	2011
Annual loss after taxation ($ millions)	(1.781)	(1.433)	(1.238)
Basic and diluted loss per share (cents per share)	(1.46)	(1.60)	(1.50)

DIRECTORS

The names and details of the Company's Directors in office at any time during the financial year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Andrej K. Karpinski, FAICD, F Fin *(Executive Chairman)*
Age 56, appointed March 1998

Responsibilities: Mr. Karpinski has responsibilities for business development, all capital raisings, investor relations, ASX liaison, risk identification and management, strategic direction and financial management of the Company, performance evaluations and corporate governance.

Qualifications: Mr. Karpinski's background is in mining investment banking, commodities trading and funds management. He has held senior positions with Australian and international companies operating in corporate finance, commodities trading and funds management. He brings to the Company his network of Australian and international contacts within resources and securities sectors, his administrative skills and his expertise in financial risk management, treasury management, project financing and resources banking. Mr. Karpinski is a Fellow of the Australian Institute of Company Directors, and a Fellow of FINSIA. Mr. Karpinski is the founder of Korab Resources Limited and he has been its Executive Chairman since March 1998 when the Company was incorporated.

Other Directorships: During the past three years Mr Karpinski has not held any listed company directorships. Mr Karpinski is a Director of unlisted public companies Polymetallica Minerals Limited (formerly Uranium Australia Limited), Lugansk Gold Limited and Melrose Gold Mines Ltd.

Malcolm J. (John) McKenzie *(Non-Executive Director)*
Age 69, appointed February 2009

Responsibilities: Mr. McKenzie contributes his strategic planning and administrative skills as well as corporate governance knowledge.

Qualifications: Mr. McKenzie's background is in corporate management, real estate property and land development. His corporate experience includes 25 years as a Director of BGC, one of the largest private manufacturing, construction and contracting companies in Australia with current turnover in excess of $3 billion. He provides the Company with the benefit of his general business and corporate experience as well as an ongoing strong interest in the resources sector.

Other Directorships: During the past three years Mr McKenzie has not held any listed company directorships. Mr McKenzie is a Director of unlisted public companies Lugansk Gold Limited and Melrose Gold Mines Ltd.

Rodney H. J. Skeet *(Non-Executive Director)*
Age 71, appointed November 2002

Responsibilities: Mr. Skeet contributes his resources financing skills as well as his investment banking and resources sector contacts.

Qualifications: Mr. Skeet's background is in commodities financing and investment banking. During his career spanning 39 years he has held senior positions with financial institutions in the UK and USA including Phillip & Lion, IndoSuez, Credit Agricole, Rudolf Wolf and Brody White, Inc. His most recent position was as vice president with Dean Witter-Morgan Stanley Group in New York. He brings to the Company his broad network of international contacts within resources and securities sectors and his expertise in resources financing.

Other Directorships: During the past three years Mr Skeet has not held any listed company directorships. Mr Skeet is a director of unlisted public company Lugansk Gold Limited.

COMPANY SECRETARY

Mr Andrej K. Karpinski was appointed Company Secretary in March 1998. Mr Karpinski (FAICD, F Fin) has a number of years experience in the position of Company Secretary.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the year was mineral exploration and the evaluation and development of mineral properties. There were no significant changes in the nature of these activities during the financial year.

OPERATING RESULTS

The loss of the consolidated entity after providing for income tax and eliminating non-controlling equity interests amounted to $1,781,334 (2012 loss: $1,432,993).

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid during the year and the directors do not recommend payment of a dividend in respect of the reporting period (2012: Nil).

FUTURE DEVELOPMENTS

Likely future developments in the operations of the Company are referred to in the Directors' Report. The directors are of the opinion that further information as to likely developments in the operations of the consolidated entity would prejudice the interests of the consolidated entity and accordingly it has not been included.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave to the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

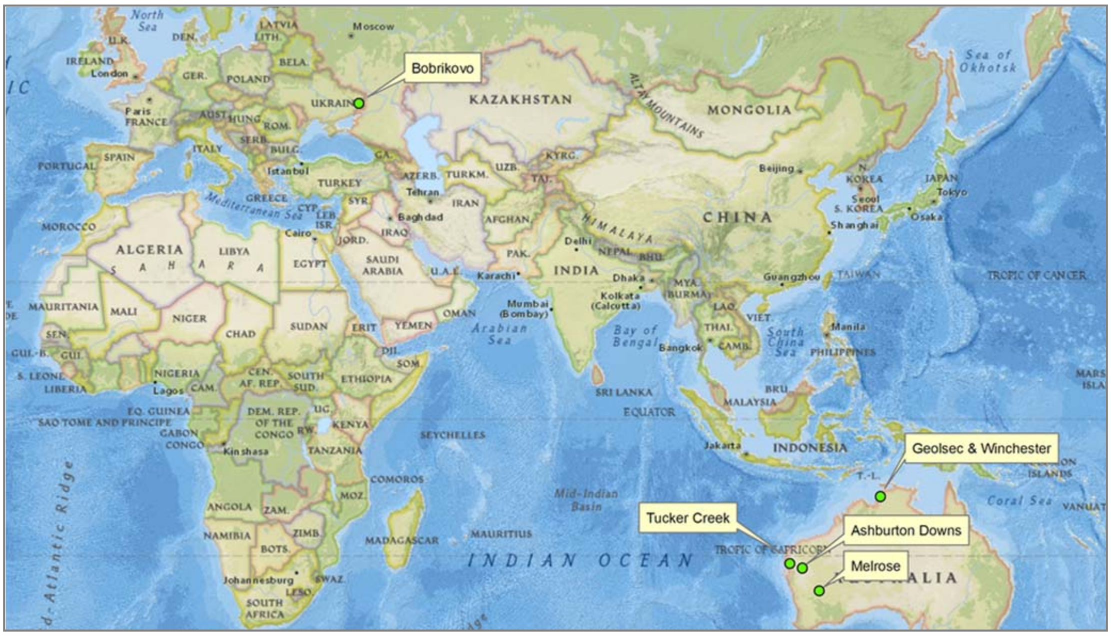
REVIEW OF OPERATIONS

Korab Resources Ltd is an Australian mining company listed on Australian Securities Exchange (ASX:KOR) Korab operates several exploration projects in Western Australia and the Northern Territory with potential for gold, potash, rare earths, tin, copper, lead, zinc, nickel, phosphate rock, iron ore and several industrial metals including vanadium, titanium, wolfram, manganese and cobalt. Korab Group operates the Bobrikovo gold and silver development projects in Ukraine and the Melrose gold project in Western Australia. Korab group also operates the Geolsec project located near Darwin in the Northern Territory where it aims to produce phosphate rock and the Winchester magnesium project located near the Geolsec project.

During the year to 30 June 2013, Korab Resources has worked on the development of its mining and quarrying assets in Australia and in Ukraine and conducted exploration for gold, base metals, nickel, iron ore, phosphates and associated minerals in Australia and overseas. Group companies have explored the following projects (areas of interest) during the year:

- Batchelor (phosphate, rare earths, gold, magnesium, iron ore, base metals, nickel, titanium) – NT
- Green Alligator (rare earths, gold, magnesium, iron ore, base metals, nickel, titanium) – NT
- Melrose (gold) – WA
- Darlot East (gold) – WA
- Ashburton Downs (copper, gold) – WA
- Bobrikovo (gold, silver, zinc, lead, antimony) – Ukraine

Project's Locations



Competent Person: The information in this Director's Report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Andrew Hawker, who is an independent geological consultant and is a member of The Australasian Institute of Mining and Metallurgy. Andrew Hawker has in excess of 5 years experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Andrew Hawker consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

CORPORATE

On 24 August 2012 the Company issued 33,733,334 options to subscribers for $0.001 per option with an exercise price of 25 cents each and expiring on 28 August 2014 under its loyalty issue. Valid applications for 20,000,737 options were received from Korab shareholders, resulting in a shortfall of 13,732,597 options. An application for 13,732,597 options was received by Korab from the underwriter, Rheingold Investments Corporation Pty Ltd in relation to the shortfall pursuant to the terms of the Underwriting Agreement dated 18 July 2012.

On 28 August 2012 the Company issued 77,318 options for $0.001 per option with an exercise price of 25 cents each and expiring on 28 August 2014 to unrelated parties.

On 5 September 2012 and 8 October 2012 the Company announced it had agreed to acquire the remaining 48,629,064 shares it did not own Lugansk Gold Limited ("Lugansk") from unrelated parties representing 32.7% of Lugansk. Korab issued as consideration 16,040,940 fully paid Korab shares at an issue price of $0.081 per share and 5,613,401 Korab options at an issue price of $0.001 per option and an exercise price of 25 cents each, expiring on 28 August 2014. 10,000,000 of these shares and 3,333,334 of these options were voluntarily escrowed for a period of 12 months from their date of issue. Following the transactions Lugansk became a 100% owned subsidiary of Korab.

On 5 September 2012 the Company issued 973,987 fully paid Korab shares at an issue price of $0.081 per share and 58,247 Korab options at an issue price of $0.001 per option with an exercise price of 25 cents each, expiring on 28 August 2014 to unrelated parties as consideration to acquire the 4,590,190 fully paid ordinary shares in Melrose Gold Limited ("Melrose"), representing 4.39% of Melrose. Following the transaction Melrose Gold became a 100% owned subsidiary of Korab.

On 31 October 2012 the Company issued 5,000,000 shares at $0.092 cents per share to an offshore gold fund to advance mining and exploration activities at the Bobrikovo gold project in Ukraine.

On 31 October 2012 the Company issued 5,000,000 options to a broker under a corporate advisory mandate at an issue price of $0.01 per option with an exercise price of 25 cents each and expiring on 28 August 2014.

On 4 January 2013 the Company issued 2,173,913 shares at $0.092 cents per share to fund exploration and evaluation work at the Company's projects and to meet ongoing working capital requirements.

On 28 February 2013 the Company issued 8,661,588 shares at $0.085 cents per share to fund exploration and evaluation work at the Company's projects and to meet ongoing working capital requirements.

On 29 April 2013 the Company issued 1,048,010 shares at $0.085 cents per share under a Share Purchase Plan.

MEETINGS OF DIRECTORS

The number of directors' meetings held during the financial year for each director who held office during the financial year and the number of meetings attended by each director is as follows:

Director	Number eligible to attend	Meetings attended
Andrej K. Karpinski	47	47
Malcolm J. McKenzie	47	46
Rodney H.J. Skeet	47	34

The Company does not have formally constituted Audit, Remuneration or Nomination Committees as the board considers that the Company's size and type of operation does not currently warrant such committees.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than stated elsewhere in this report there have been no significant changes in the state of affairs of the consolidated entity during the period under review.

SUBSEQUENT EVENTS

No other matter or circumstance has arisen since 30 June 2013 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.

ENVIRONMENTAL ISSUES

The Group has a policy of complying with or exceeding its environmental performance obligations. The Board believes that the Company has adequate systems in place for the management of its environmental requirements. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the financial year under review.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Korab support and adhere to the principles of sound corporate governance.

The Board considers that Korab is in compliance with the ASX corporate governance principles and recommendations which are of critical importance to the commercial operation of a junior listed resources company. The Company's Corporate Governance Statement is set out on pages 46 to 48 of this Annual Report.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 13.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year the Company paid a premium to insure the directors and officers of the Company and its controlled entities. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entity.

NON-AUDIT SERVICES

There were no non-audit services provided by the auditors during the current or preceding financial years.

DIRECTORS' INTERESTS

At the date of this report, the relevant interests of the directors in securities of the Company are as follows:

Name	Ordinary shares	Options over ordinary shares
Andrej K. Karpinski	20,678,215	20,625,337
Rodney H.J. Skeet	487,918	-
Malcolm J. McKenzie	5,763,660	1,921,221

IDENTIFICATION OF INDEPENDENT DIRECTORS

The independent directors are identified in the Corporate Governance Statement section of this Annual Report as set out on pages 46 to 49.

SHARE OPTIONS

Shares under option

The following unissued ordinary shares of the Company are under option.

Expiry date	Exercise price	Number 01/07/12	Issued	Expired	Exercised	Number 30/06/13
28/8/14	$0.25	-	44,482,300	-	6	44,482,294

No options have been granted since the end of the reporting period. There have been no options exercised since the end of the reporting period. During the reporting period there was no forfeiture or vesting of options granted in previous periods.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001.

Principles used to determine the nature and amount of compensation

The Board determines remuneration policies and practices, evaluates the performance of senior management, and considers remuneration for those senior managers. The Board assesses the appropriateness of the nature and amount of remuneration on an annual basis by reference to industry and market conditions, and with regard to the Company's financial and operating performance.

Total non-executive directors' fees are approved by shareholders and the Board is responsible for the allocation of those fees amongst the individual members of the Board. The value of remuneration is determined on the basis of cost to the Company and consolidated entity. Remuneration of key management personnel is referred to as compensation, as defined in Accounting Standard AASB 124.

Compensation levels for key management personnel of the Company and consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Board obtains, when required, independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Compensation arrangements can include a mix of fixed and performance based compensation however the Company has not paid bonuses to directors or executives to date. Share-based compensation can be awarded at the discretion of the Board, subject to shareholder approval when required.

It is the intention of the Board to tailor the remuneration policy to maximise the commonality of goals between shareholders and key management personnel. The method which is most likely to achieve this aim is the issue of options to key management personnel to encourage the alignment of personal and shareholder interests. The directors believe this policy will be the most effective in increasing shareholder wealth. It is anticipated that within the next 12 months Korab's board will develop, in conjunction with outside consultants, an option based employee incentive program which will then be submitted to shareholders for approval.

Compensation structures take into account the overall level of compensation for each director and executive, the capability and experience of the directors and senior executives, the executive's ability to control the financial performance of the relative business or geographical segment, the consolidated entity's performance (including earnings and the growth in share price), and the amount of any incentives within each executive's remuneration. Given the consolidated entity's focus on exploration projects during the year, the Board did not have regard to the consolidated entity's financial performance and / or change in shareholder wealth occurring in the current financial year and previous three financial years in setting remuneration. No dividends were paid or declared during this period (2012: Nil).

Fixed compensation

Fixed compensation consists of base compensation as well as any employer contributions to superannuation funds.

Non-executive directors

Total remuneration for all non-executive directors is not to exceed $120,000 per annum. A non-executive director's base fee is currently $26,000 per annum. The Executive Chairman currently does not receive director's fees. Rheingold Investments Corporation Pty Ltd, a company controlled by Executive Chairman receives executive management fees which are disclosed elsewhere in this report.

Non-executive directors do not receive any performance related remuneration, however they may be paid for work performed over and above their non-executive duties. Directors' fees cover all main Board activities and membership of Board committees. The Company does not have any terms or schemes relating to retirement benefits for non-executive directors. Non-executive directors receive share-based compensation at the discretion of the Board, and subject to approval by shareholders.

Service contracts

The contract duration, notice period and termination conditions for key management personnel are:

(i) Andrej K Karpinski, Executive Chairman. The Company has entered into Executive Service Agreement with Rheingold Investments Corporation Pty Ltd. Under the terms of the agreement Mr Karpinski, being the director of Rheingold Investments Corporation Pty Ltd, has agreed to provide management services to the Company at a rate of $327,000 per annum plus GST. The Agreement may be terminated by the Company at any time by giving Mr Karpinski twelve (12) months' notice. In the event the Company does not require Mr Karpinski to work throughout the period of notice, the Company shall pay to Mr Karpinski an amount of $327,000 plus GST. Mr. Karpinski has voluntarily suspended part of the payments due under the agreement. The amounts of fees which are accrued are disclosed in the notes to the financial statements.

Key Management Personnel Remuneration

Details of the nature and amount of each major element of the remuneration of group key management personnel are set out below. There was no share based or performance based remuneration in either the current or prior period.

2013	***Andrej Karpinski* $**	***Malcolm McKenzie* $**	***Rodney Skeet* $**	***Total* $**
Short-term benefits				
2013 year fees paid and accrued	327,000	26,000	26,000	327,000
Post-employment benefits				
Superannuation contributions	-	2,340	-	2,340
Total	327,000	28,340	26,000	381,340

2012	***Andrej Karpinski* $**	***Malcolm McKenzie* $**	***Rodney Skeet* $**	***Total* $**
Short-term benefits				
2012 year fees paid and accrued	327,000	26,000	26,000	379,000
Post-employment benefits				
Superannuation contributions	-	2,340	-	2,340
Total	327,000	28,340	26,000	381,340

In October 2008 the directors and Rheingold agreed to indefinitely suspend payments of the executive services fees (management contract fees) because of the global financial crisis. As of the date of this report, the payments for management contract fees have resumed but on a reduced basis with the unpaid portion of fees being accrued.

This report is signed in accordance with a resolution of the directors.

Andrej K Karpinski, FAICD, F Fin, (Executive Chairman)
Perth, Western Australia,
30 September 2013

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Korab Resources Limited for the year ended 30 June 2013, 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 audit; and

b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Korab Resources Limited and the entities it controlled during the year.

Perth, Western Australia	**W M Clark**
30 September 2013	**Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	30 June 2013 $	30 June 2012 $
Interest income		77,601	61,765
Parts and equipment expensed		(100,176)	-
Other income		-	11,067
Finance expense		(88,570)	(30,310)
Depreciation and amortisation		(30,571)	(13,519)
Foreign exchange loss		(3,367)	-
Share based payments expense		(50,000)	-
Corporate compliance and management		(1,251,404)	(1,322,481)
Occupancy costs		(135,131)	(100,745)
Conference, travel and public relations		(91,989)	(142,945)
Exploration and new venture expenditure written off		(175,355)	(122,319)
Other		(2,929)	-
Loss before income tax		(1,851,891)	(1,659,487)
Income tax benefit		70,557	-
Loss for the year		(1,781,334)	(1,659,487)
Other comprehensive income / (loss) for the year net of income tax			
Items that may be classified to profit or loss			
Exchange difference on translation of foreign operations		240,924	8,258
Total comprehensive loss for the year		(1,540,410)	(1,651,229)
Loss for the year attributable to:			
Owners of the parent		(1,781,334)	(1,432,993)
Non-controlling interest		-	(226,494)
		(1,781,334)	(1,659,487)
Total comprehensive loss for the year attributable to:			
Owners of the parent		(1,540,410)	(1,437,591)
Non-controlling interest		-	(213,638)
		(1,540,410)	(1,651,229)
Basic and diluted loss per share (cents per share)	5	(1.46)	(1.60)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Notes	30 June 2013 $	30 June 2012 $
Current assets			
Cash and cash equivalents		120,919	935,118
Trade and other receivables	6	289,549	114,530
Total current assets		410,468	1,049,648
Non-current assets			
Trade and other receivables	6	842,432	789,997
Exploration and evaluation	7	5,637,570	4,390,306
Property, plant and equipment	8	17,570	23,361
Intangible assets	9	11,701	11,701
Total non-current assets		6,509,273	5,215,365
Total assets		6,919,741	6,265,013
Current liabilities			
Trade and other payables	10	886,832	136,321
Loans and borrowings	11	-	210,031
Total current liabilities		886,832	346,352
Non-current liabilities			
Trade and other payables	10	560,362	589,609
Loans and borrowings	11	417,128	292,938
Total non-current liabilities		977,490	882,547
Total liabilities		1,864,322	1,228,899
Net assets		5,055,419	5,036,114
Equity			
Contributed equity	15	14,280,371	11,426,181
Foreign currency translation reserve	15	6,340	(234,584)
Option reserve	15	89,406	-
Non-controlling interest contribution reserve	15	(1,036,227)	547,047
Accumulated losses	15	(8,284,471)	(6,503,137)
Total equity attributable to owners of the parent entity		5,055,419	5,235,507
Non-controlling interests	15	-	(199,393)
Total equity		5,055,419	5,036,114

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	30 June 2013 $	30 June 2012 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,030,400)	(1,385,115)
Interest received		11,654	61,765
Interest paid		(19,058)	(30,310)
Net cash flows (used in) operating activities	14	(1,037,804)	(1,353,660)
Cash flows from investing activities			
Exploration and evaluation expenditure		(1,109,830)	(1,756,811)
Payments for property, plant and equipment		(24,780)	(17,322)
Net cash flows (used in) investing activities		(1,134,610)	(1,774,133)
Cash flows from financing activities			
Proceeds from issue of ordinary shares and share options		1,485,981	1,782,000
Proceeds from issue of share options		33,734	-
Payment of share issue costs		(10,000)	-
Repayments of share applications received in advance		-	(456,048)
Proceeds from non-controlling interests		-	484,487
Proceeds from related party borrowings		328,000	292,940
Repayments of related party loans		(335,000)	(320,111)
Repayment of borrowings		(144,500)	-
Net cash flows from financing activities		1,358,215	1,783,268
Net (decrease) in cash and cash equivalents		(814,199)	(1,344,525)
Cash and cash equivalents at the beginning of the financial year		935,118	2,279,643
Cash and cash equivalents at the end of the financial year	14	120,919	935,118

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Contributed equity $	Option Reserve $	Accumulated losses $	Non-controlling interest contribution reserve $	Foreign currency translation reserve $	Total $	Non-controlling interests $	Total $
Balance at 30 June 2011	9,644,181	-	(5,070,144)	236,373	(229,986)	4,580,424	(144,280)	4,436,144
Exchange difference arising on translation of foreign operations	-	-	-	-	(4,598)	(4,598)	12,856	8,258
Loss for the year	-	-	(1,432,993)	-	-	(1,432,993)	(226,494)	(1,659,487)
Total comprehensive loss for the year	-	-	(1,432,993)	-	(4,598)	(1,437,591)	(213,638)	(1,651,229)
Transactions with owners in their capacity as owners:								
Shares issued for cash	1,782,000	-	-	-	-	1,782,000	-	1,782,000
Non-controlling interest contribution reserve	-		-	310,674	-	310,674	158,525	469,199
Balance at 30 June 2012	11,426,181	-	(6,503,137)	547,047	(234,584)	5,235,507	(199,393)	5,036,114
Exchange difference arising on translation of foreign operations	-	-	-	-	240,924	240,924	-	240,924
Loss for the year	-	-	(1,781,334)	-	-	(1,781,334)	-	(1,781,334)
Total comprehensive loss for the year	-	-	(1,781,334)	-	240,924	(1,540,410)	-	(1,540,410)
Transactions with owners in their capacity as owners:								
Shares and options issued for cash	1,485,981	33,734	-	-	-	1,519,715	-	1,519,715
Share based payments	-	50,000						
Share issue costs	(10,000)	-	-	-	-	(10,000)	-	(10,000)
Shares and options issued to vendors on acquisition of shares held by non-controlling interests in subsidiaries	1,378,209	5,672	-	(1,583,274)	-	(199,393)	199,393	-
Balance at 30 June 2013	14,280,371	89,406	(8,284,471)	(1,036,227)	6,340	5,055,419	-	5,005,419

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Korab Resources Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Accounting Interpretations), as adopted by the Australian Accounting Standards Board ("AASB"), other authoritative pronouncements of the AASB and the Corporations Act 2001. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Korab Resources Limited complies with International Financial Reporting Standards as issued by the International Accounting Standards Board. Comparative information is reclassified where appropriate to enhance comparability.

The functional and presentation currency of the Company is Australian dollars. The financial report was authorised for issue by the directors on 30 September 2013. Korab Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

Basis of measurement

The financial report is prepared on a historical cost basis as modified by the revaluation of financial assets and liabilities at fair value through profit and loss.

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 $476,364 and had a net cash outflow from operations for the year ended 30 June 2013 of $1,037,804.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 Company believes it 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 raising additional share capital. 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.

Use of estimates and judgements

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

(i) Exploration and evaluation assets

Exploration and evaluation expenditure is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in or relating to, the area of interest are continuing.

(ii) Functional currency

Companies in the consolidated entity have to determine their functional currencies based on the primary economic environment in which each entity operates. In order to do that management has to analyse several factors, including which currency mainly influences sales prices of product sold by the entity, which currency influences the main expenses of providing services, in which currency the entity has received financing, and in which currency it keeps its receipts from operating activities.

(iii) Taxation

A subsidiary, Donetsky Kryazh LLC, operates mainly in the Ukraine and is within that country's tax jurisdiction. The Ukrainian tax system is characterised by numerous taxes and laws that change frequently, can contradict each other, and can be interpreted in various ways. Judgement is required in the determination of the Company's tax provisions, however the directors believe that these have been calculated based on the best information available.

(iv) Recoverability of loan to Polymetallica Minerals Limited

Korab has been advised by Polymetallica that it is in the process of selling assets and arranging of a debt funding from third parties to raise funds to repay the loans made by Korab.

(b) Principles of consolidation

Subsidiaries

The consolidated financial report comprises the financial statements of the Company and its controlled entities. A controlled entity is any entity controlled by the Company whereby the parent entity has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Where a subsidiary enters or leaves the consolidated entity during the year, its operating results are included or excluded from the date control was obtained or until the date control ceased. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those applied by the parent entity.

(c) Intangible assets

Intangible assets are measured at costs less accumulated impairment losses.

Goodwill

Goodwill (or negative goodwill) arises on the acquisition of subsidiaries, associates and jointly controlled entities. Goodwill represents the excess of the cost of acquisition over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill) it is recognised immediately in profit or loss.

Goodwill is not amortised and is subsequently measured at cost less accumulated impairment losses.

(d) Recoverable amount of assets and impairment testing

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment by estimating their recoverable amount.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where such an indicator exists, a formal assessment of recoverable amount is then made. Where this is less than carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects the current market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in the statement of comprehensive income.

(e) Receivables

Trade and other receivables are stated at fair value and subsequently measured at amortised cost, less impairment losses.

(f) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the consolidated entity. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the consolidated entity recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the consolidated entity’s share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the statement of comprehensive income.

(g) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the consolidated entity's rights of tenure to the area are current and that the costs are expected to be recouped through the successful development of the area or by its sale, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Each area of interest is assessed for impairment to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Impairment testing is carried out in accordance with Note 1(d).

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine development properties.

(h) Taxes

The charge for current income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by balance date.

Deferred tax is accounted for using the statements of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the statement of comprehensive income except where it relates to items recognised directly in equity, in which case it is recognised in equity. Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

Tax consolidation

The Company and its wholly-owned Australian resident controlled entities have formed a tax-consolidated entity and are therefore taxed a single entity. Korab Resources Limited is the head entity of the tax-consolidated entity. In future periods the members of the consolidated entity will, if required, enter into a tax sharing agreement whereby each company in the consolidated entity contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated entity.

(i) Trade and other payables

Trade and other payables are stated at amortised cost. The amounts are unsecured and usually paid within 45 days of recognition.

(j) Earnings per share

The consolidated entity presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the result attributable to equity holders of the Company by the weighted number of shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, which comprise share options granted.

(k) Share based payments

The fair value of shares and share options granted as compensation is recognised as an expense with a corresponding increase in equity. Fair value is measured at grant date and recognised over the period during which the grantees become unconditionally entitled to the shares or share options. The fair value of share grants at grant date is determined by the share price at that time. The fair value of share options at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, any vesting and performance criteria, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option. Upon the exercise of the option, the balance of the share-based payments reserve relating to the option is transferred to contributed equity.

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) Employee benefits

Provision is made for the consolidated entity's liability for employee benefits and termination indemnities arising from services rendered by employees to balance date.

(i)Short-term benefits

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

(ii) Long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period.

(n) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to an equity transaction are shown as a deduction from equity, net of any recognised income tax benefit.

(o) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

(q) Foreign currency

Functional and presentation currency

The functional currency of each of the consolidated entity's entities is measured using the currency of the primary economic environment in which that entity operates (the "functional" currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at balance date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the profit and loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Foreign operations

The financial performance and position of foreign operations whose functional currency is different from the consolidated entity's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at statement of financial position date.
- income and expenses are translated at transaction date or average exchange rates for the period, whichever is more appropriate.

Exchange differences arising on translation of foreign operations are transferred directly to the consolidated entity's foreign currency translation reserve as a separate component of equity. These differences are recognised in the statement of comprehensive income upon disposal of the foreign operation.

(r) Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest

Revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(s) Borrowing costs

Interest expenses comprise interest expense on borrowings and the unwinding of the discount on provisions.

(t) Property, plant and equipment

Recognition and measurement

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of an item also includes the initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss during the financial year in which they are incurred.

Impairment

The carrying amount of property, plant and equipment is reviewed whenever there are any objective indicators of impairment that may indicate the carrying values may not be recoverable in whole or in part. Impairment testing is carried out in accordance with Note 1(d).

Where an asset does not generate cash flows that are largely independent it is assigned to a cash generating unit and the recoverable amount test applied to the cash generating unit as a whole.

If the carrying value of the asset is determined to be in excess of its recoverable amount, the asset or cash generating unit is written down to its recoverable amount.

Depreciation and impairment

Depreciation on plant and equipment is calculated on a straight line basis over expected useful life to the economic entity commencing from the time the asset is held ready for use. The following useful lives are used in the calculation of depreciation:

Plant and equipment:	2 to 5 years
Motor vehicles:	25 years

Assets held under a finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least annually.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

(u) Parent entity financial information

The financial information for the parent entity, Korab Resources Limited, disclosed in Note 21 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Korab Resources Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(v) Investments and other financial assets

The consolidated entity determines the classification of its financial instruments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Fair value is the measurement basis, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost. Fair value is inclusive of transaction costs except for financial assets and liabilities at fair value through profit and loss. Changes in fair value are either taken to the profit and loss or to an equity reserve (refer below). Fair value is determined based on current bid prices for all quoted investments. If there is not an active market for a financial asset fair value is measured using established valuation techniques.

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists the cumulative loss is removed from equity and recognised in the statement of comprehensive income.

(i) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit and loss in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less any impairment losses. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

(iii) Held-to-maturity investments

These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Held-to-maturity investments are stated at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not included in any of the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity in an available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as gains and losses from investment securities.

(w) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases which transfer to a lessee substantially all the risks and benefits incidental to ownership of the leased asset are classified as finance leases. Other lease agreements are treated as operating leases.

Finance leases are capitalised at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income except for borrowing costs related to the financing of assets constructed for own use (during the construction period). Capitalised leased assets used in mining operations are expensed on a unit of production basis so as to write off the costs in proportion to the depletion of the estimated recoverable reserves or over the life of the lease.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

(x) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Site restoration

Provisions for the cost of site restoration are recognised at the time that an environmental disturbance occurs or a constructive obligation is determined. Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances as at the reporting date. Estimated costs included in the determination of the provision reflect the risks and probabilities of alternative estimates of cash flows required to settle the obligation. The expected rehabilitation costs are estimated based on the cost of external contractors performing the work or the cost of performing the work internally depending on management's intention.

The timing of the actual rehabilitation expenditure is dependent upon a number of factors including the currently approved life of the mine and changes in local environmental regulations. Expenditures may occur before and after closure and can continue for an extended period of time depending on rehabilitation requirements. The expected future cash flows exclude the effect of inflation. The unwinding of the discount is included in finance costs and results in an increase in the amount of the provision.

The provision is updated each year for the effect of a change in the discount rate and exchange rate, when applicable, and the change in estimate is added or deducted from the related asset and depreciated prospectively over the asset's useful life.

Significant judgments and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements or, if more stringent, our environmental policies which give rise to a constructive obligation. When expected cash flows change, the revised cash flows are discounted using the current US dollar real risk-free pre-tax discount rate and an adjustment is made to the provision.

When a provision for site restoration is initially recognized, the corresponding cost is capitalized as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalized cost of closure and rehabilitation activities is recognized in property, plant and equipment and depreciated over the expected economic life of the operation to which it relates.

(y) Contingencies

Contingent liabilities are defined as:

- possible obligations resulting from past events whose existence depends on future events;
- obligations that are not recognised because it is not probable that they will lead to an outflow of resources;
- obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the statement of financial position, but are disclosed in the notes to the financial statements, with the exception of contingent liabilities where the probability of the liability occurring is remote.

(z) Financial liabilities

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through the profit or loss, borrowings, or as derivatives as hedging instruments in an effective hedge, as appropriate. The consolidated entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of borrowings, less directly attributable transaction costs. The subsequent measurement of financial liabilities depend on their classification.

Financial liabilities at fair value through the profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the consolidated entity that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include recent arm's length market transactions, references to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models.

(aa) New accounting standards and interpretations

In the year ended 30 June 2013 the directors have reviewed all of the new and revised accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2012. It has been determined by the directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

The directors have also reviewed all new Standards and Interpretations that have been issued, but are not yet effective, for the year ended 30 June 2013. As a result of this review the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

2. SEGMENT REPORTING

The consolidated entity has adopted AASB 8 *Operating Segments* which requires operating segments to be identified on the basis of internal reports about components of the consolidated entity 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 reviews internal reports prepared such as consolidated financial statements, and strategic decisions of the consolidated entity are determined upon analysis of these internal reports

During the year the consolidated entity 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.

The consolidated entity's only income is from interest bearing bank accounts. The geographic location of non-current assets is set out in the table below:

	2013 $	2012 $
Australia	3,513,355	3,188,366
Ukraine	2,995,918	2,026,999
	6,509,273	5,215,365

3. INCOME TAX EXPENSE

Numerical reconciliation of income tax expense to prima facie tax expense:

Loss before income tax expense	(1,781,334)	(1,659,487)
Prima facie income tax benefit on pre-tax loss at the Australian income tax rate of 30% (2012: 30%)	(534,400)	497,846
Tax effect of:		
Effect of lower overseas tax rate	(36,313)	(40,689)
Current year tax benefit not brought to account	(498,087)	(457,157)
Income tax expense	-	-

Unrecognised net deferred tax assets
Net deferred tax assets have not been recognised in respect of the following items (refer Note 1(h)):

Tax losses	2,766, 599	2,268,512
	2,766, 599	2,268,512

4. AUDITORS' REMUNERATION

Audit and review services:		
Auditors of the Company: HLB Mann Judd	47,485	40,0 00
Auditors of a subsidiary company	2,000	2,000
	49,485	42,000

5. EARNINGS PER SHARE

	2013 $	2012 $
Basic earnings per share		
Loss from operations attributable to ordinary equity holders of Korab used to calculate basic and diluted earnings per share	(1,781,334)	(1,432,993)

Weighted average number of shares	Number of shares	Number of shares
1 July	101,200,000	88,000,000
Shares issued	20,551,367	3,390,164
30 June (basic and diluted)	121,751,367	91,390,164

All potential ordinary shares, being options to acquire ordinary shares, are not considered dilutive in the calculation of earnings per share as the exercise of the options would not increase the loss per share.

6. TRADE AND OTHER RECEIVABLES

	2013 $	2012 $
Current		
Other receivables and prepayments: third parties	289,549	114,530
	289,549	114,530
Non-current		
Other receivables and prepayments: related parties	842,432	789,997
	842,432	789,997

The related party loan is an unsecured receivable from Polymetallica Minerals Limited (formerly Uranium Australia Ltd), a company in which Mr Andrej Karpinski is Executive Chairman and a significant shareholder. The loan has an interest rate of 8.5%.

7. EXPLORATION AND EVALUATION

	2013 $	2012 $
Areas of interest in the exploration and evaluation phase:		
Cost at beginning of the year	4,390,306	2,262,975
Foreign exchange translation	177,542	10,982
Reclassifed from other investments	-	6,478
Reclassifed from trade and other receivables	-	353,060
Expenditure written-off	(40,108)	
Expenditure during the year	1,109,830	1,756,811
Cost at end of the year	5,637,570	4,390,306
Carrying amount at the end of the year	5,637,570	4,390,306

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.

A subsidiary has expensed $97,086 (2012: $122,319) relating to exploration and evaluation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2013

8. PROPERTY, PLANT AND EQUIPMENT

	2013 $	2012 $
Cost: Plant and equipment		
Balance at beginning of financial year	121,845	104,523
Additions	24,780	17,322
Balance at end of financial year	146,625	121,845
Accumulated depreciation: Plant and equipment		
Balance at beginning of financial year	110,870	100,448
Depreciation charge for year	24,377	10,422
Balance at end of financial year	135,247	110,870
Carrying amount at the end of the financial year	11,378	10,975
Cost: Motor vehicles		
Balance at beginning of financial year	77,000	77,000
Balance at end of financial year	77,000	77,000
Accumulated depreciation: Motor vehicles		
Balance at beginning of financial year	64,614	61,517
Depreciation charge for year	6,194	3,097
Balance at end of financial year	70,808	64,614
Carrying amount at the end of the financial year	6,192	12,386
Total carrying amount at the end of the financial year	17,570	23,361

9. INTANGIBLE ASSETS

Borrowing costs	90	90
Accumulated amortisation	-	-
Carrying amount at the end of the financial year	90	90
Trademarks	11,611	11,611
Accumulated amortisation	-	-
Carrying amount at the end of the financial year	11,611	11,611
Total carrying amount at the end of the financial year	11,701	11,701

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2013

10. TRADE AND OTHER PAYABLES

	2013 $	2012 $
Current		
Trade payables and accrued expenses – third parties (i)	860,238	97,063
Non-trade payables and accrued expenses - related parties (ii)	26,594	39,258
	886,832	136,321
Non-current		
Non-trade payables and accrued expenses - related parties (ii)	560,362	589,609
	560,362	589,609

(i) Trade payables are non-interest bearing and are normally settled within 45 days.

(ii) The terms and conditions of related party payables are set out Notes 17 and 19, Related Party Transactions and Key Management Personnel Disclosures respectively.

11. LOANS AND BORROWINGS

	2013 $	2012 $
Current:		
Loans payable - third parties – unsecured	-	210,007
Loans payable - related parties – unsecured (i)	-	24
	-	210,031
Non-current		
Loans payable - related parties – unsecured (i)	329,652	90,043
Loans payable - third parties - unsecured	87,476	202,895
	417,128	292,938

The consolidated entity had a $600,000 credit standby facility at 30 June 2013 and 30 June 2012, of which $600,000 was used as at the end of the reporting period.

During the reporting period Chancery Holdings Pty Ltd (an entity controlled by Malcolm J. McKenzie who is a director of the Company) provided loans to the Company of $145,000 on normal commercial terms.

During the reporting period Rheingold Investments Corporation Pty Ltd (an entity controlled by Andrej K. Karpinski who is a director of the Company) [provided loans of $77,000 on normal commercial terms.

During the reporting period Andrej K. Karpinski (who is a director of the Company) provided loans of $72,000 on normal commercial terms.

On 29 June 2013 the Company secured $480,000 debt facility from Chancery Holdings Pty Ltd (an entity controlled by Malcolm J. McKenzie who is a director of the Company) on normal commercial terms. As of 30 June 2013 this facility was undrawn.

(i) The terms and conditions of related party loans and borrowings are set out Notes 17 and 19, Related Party Transactions and Key Management Personnel Disclosures respectively.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2013

12. SUBSIDIARIES

	Country of incorporation	Class of shares	Equity holding 2013	Equity holding 2012
Held by parent				
Lugansk Gold Limited	Australia	Ordinary	100%	67.28%
Geolsec Phosphate Operations Pty Ltd	Australia	Ordinary	100%	100%
Melrose Gold Mines Limited	Australia	Ordinary	100%	95.61%
Australian Copper Limited	Australia	Ordinary	100%	100%
Iron Ore Australia Pty Ltd	Australia	Ordinary	100%	100%
Australian Industrial Metals Pty Ltd	Australia	Ordinary	100%	100%
Nickel Australia Pty Ltd	Australia	Ordinary	100%	100%
Held by Lugansk Gold Limited				
LLC "Donetsky Kryazh"	Ukraine	Ordinary	100%	100%

13. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 30 June 2013 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.

14. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

	2013 $	2012 $
(a) Reconciliation of (loss) after income tax to net cash flow from operating activities		
(Loss) for the year	(1,781,334)	(1,659,487)
Depreciation and amortisation	30,571	13,519
Share based payments	50,000	-
Interest income received and receivable	13,226	
Exploration expenditure written-off	40,108	
Change in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(166,574)	36,427
- Increase in trade and other payables	776,199	255,881
Net cash flow from operating activities	(1,037,804)	(1,353,660)

(b) Cash and cash equivalents

Cash at bank and at call	120,919	935,118

(c) Risk exposure

The consolidated entity's exposure to interest rate risk is discussed in Note 16. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

15. CAPITAL AND RESERVES

(a) Contributed equity:

	2013 Number	2013 $	2012 Number	2012 $
Ordinary shares				
1 July	101,200,000	11,426,181	88,000,000	9,644,181
Issue of shares for cash	16,883,511	1,485,979	13,200,000	1,782,000
Issue of shares to acquire shares in controlled entities	17,014,927	1,378,209	-	-
Cost of issue of shares	-	(10,000)	-	-
Exercise of share options	6	2	-	-
30 June	135,098,444	14,280,371	101,200,000	11,426,181

Ordinary shares have the right to one vote per share at meetings of the Company, to receive dividends as declared and, in the event of a winding-up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, shares held.

(b) Accumulated losses

	2013 $	2012 $
1 July	(6,503,137)	(5,070,144)
Loss for the period	(1,781,334)	(1,432,993)
30 June	(8,284,471)	(6,503,137)

(c) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

	2013 $	2012 $
1 July	(234,584)	(229,986)
Foreign exchange on translation of foreign operations	240,924	(4,598)
30 June	6,340	(234,584)

(d) Option reserve

The option reserve is used to record the value of equity benefits provided to employees, directors and other parties for goods and services provided and for proceeds received on the issue of options.

1 July	-	-
Share based payments	50,000	-
Proceeds on issue of share options	33,734	-
Issue of options to acquire shares in controlled entities	5,672	-
30 June	89,406	-

A summary of all the movements of all Company options issued is as follows:

	Number	Weighted Average Exercise Price
Options outstanding as at 1 July 2012	-	-
Granted	44,482,300	$0.25
Exercised	(6)	$0.25
Expired	-	-
Options outstanding as at 30 June 2013	44,482,294	$0.25

15. CAPITAL AND RESERVES (continued)

The weighted average remaining contractual life of options outstanding at year-end was 13 months. The exercise price of outstanding options at the end of the reporting period was $0.25.

(e) Non-controlling interest contribution reserve

The non-controlling interest contribution reserve represents the net proceeds from / expenditure on the sale of / acquisition of minority interests, net of the share of net assets disposed / acquired.

1 July	547,047	236,373
Recognition of change in shareholdings in subsidiaries	(1,583,274)	310,674
30 June	(1,036,227)	547,047

(f) Non-controlling interest

	2013 $	2012 $
1 July	(199,393)	(144,280)
Loss for the period	-	(226,494)
Transfer to non-controlling interest contribution reserve	199,393	158,525
Foreign exchange on translation of foreign operations	-	12,856
30 June	-	(199,393)

16. FINANCIAL RISK MANAGEMENT

General objectives, policies and processes

The consolidated entity's activities expose it to credit risk, market risk (including interest rate risk, price risk and currency risk), liquidity risk, and commodity price risk. This note presents qualitative and quantitative information about the consolidated entity's exposure to each of the above risks, their objectives, policies and procedures for managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The consolidated entity's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not currently use derivative financial instruments to hedge financial risk exposures and therefore it is exposed to daily movements in commodity prices, interest rates and exchange rates.

The consolidated entity uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and ageing analysis for credit risk.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Given the stage of the consolidated entity's development there are no formal targets set for return on capital. There were no changes to the consolidated entity's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the consolidated entity. The consolidated entity has no significant concentration of credit risk. Exposure to credit risk is considered minimal but is monitored on an ongoing basis.

Cash transactions are limited to financial institutions considered to have a suitable credit rating. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the

16. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

statement of financial position at balance date. The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure.
The consolidated entity's maximum exposure to credit risk at the reporting date was:

	2013 $	2012 $
Carrying amount:		
Cash and cash equivalents	120,919	935,118
Trade and other receivables	1,131,981	904,527
	1,252,900	1,839,645

(b) Market risk
(i) Interest rate risk

The significance and management of the risks to the consolidated entity is dependent on a number of factors including (i) interest rates (current and forward) and the currencies that are held; (ii) level of cash and liquid investments;(iii) maturity dates of investments; and (iv) proportion of investments that are fixed rate or floating rate.

The risk is managed by the consolidated entity maintaining an appropriate mix between fixed and floating rate investments. All cash assets are held in Australian dollars.

The consolidated entity's exposure to interest rate risk is considered minimal. The effective interest rates of variable rate income-earning financial assets at the reporting date are as follows.

	Variable rate instruments at call 2013 ($)	Weighted average effective interest rate 2013	Variable rate instruments at call 2012 ($)	Weighted average effective interest rate 2012
Financial assets				
Cash and cash equivalents	120,919	3.63%	935,118	2.7%

At the reporting date the carrying amount of the consolidated entity's interest bearing financial instruments was:

	2013 ($)	2012 ($)
Variable rate instruments		
Financial assets	120,919	935,118

Sensitivity analysis

A 100% basis points increase or decrease in the weighted average year-end interest rate of variable rate instruments would have increased / (decreased) consolidated profit or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012:

	Profit and loss ($)
30 June 2013 increase	1,209
30 June 2013 decrease	1,209
30 June 2012 increase	9,351
30 June 2012 decrease	9,351

16. FINANCIAL RISK MANAGEMENT (continued)

(b) Market risk (continued)

(ii) Price risk

The consolidated entity was not exposed equity securities price risk at 30 June 2013 or 30 June 2012.

(iii) Currency risk

The Company is exposed to currency risk on costs which are quoted in currencies (Ukrainian Hyrvnias) other than the functional currency of the Company, being the A$. The consolidated entity does not hedge this risk, however it continues to monitor the exchange rate so that this currency exposure is maintained at an acceptable level. The major exchange rates relevant to the consolidated entity were as follows:

	Year ended 30 June 2013	As at 30 June 2013	Year ended 30 June 2012	As at 30 June 2012
A$ / US$	1.027	0.9146	1.033	1.016
A$ / Hyrvnias	8.454	7.590	8.124	8.193

The consolidated entity's exposure to foreign exchange risk at statement of financial position date was as follows, based on carrying amounts in A$:

2013	A$	Ukrainian Hryvnias	Total
Cash and cash equivalents	120,676	243	120,919
Trade and other receivables	901,727	230,254	1,131,981
Loans and borrowings	(417,128)	-	(417,128)
Trade and other payables	(1,182,230)	(264,964)	(1,447,194)
	(576,955)	(34,467)	(611,422)

2012	A$	Ukrainian Hryvnias	Total
Cash and cash equivalents	934,716	402	935,118
Trade and other receivables	809,075	96,452	904,527
Loans and borrowings	(502,969)	-	(502,969)
Trade and other payables	(720,822)	(5,108)	(725,930)
	519,000	91,746	610,746

Sensitivity

The consolidated entity had no material exposure from changes in foreign currency exchange rates at 30 June 2013 or 30 June 2012.

16. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as and when they fall due. The consolidated entity's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under a range of financial conditions. The following are the contractual maturities of consolidated non-derivative financial liabilities:

	Carrying amount ($)	Contractual cashflows ($)	6 months or less ($)	1 to 5 years ($)
2013				
Trade and other payables	1,447,194	1,447,194	886,832	560,362
Loans and borrowings	417,128	417,128	-	471,128
	1,864,322	1,864,322	886,832	1,031,490
2012				
Trade and other payables	725,930	725,930	136,321	589,609
Loans and borrowings	502,969	502,969	210,031	292,938
	1,228,899	1,228,899	346,352	882,547

(d) Commodity price risk

The consolidated entity is not currently exposed to commodity price risk at 30 June 2013 or 30 June 2012.

(e) Fair values

The fair values of consolidated financial assets and financial liabilities, together with their carrying amounts shown in the statement of financial position, are as follows:

Consolidated	Carrying amount 2013 ($)	Fair value 2013 ($)	Carrying amount 2012 ($)	Fair value 2012 ($)
Cash and cash equivalents	120,919	120,919	935,118	935,118
Trade and other receivables	1,131,981	1,131,981	904,527	904,527
Loans and borrowings	(417,128)	(417,128)	(502,969)	(502,969)
Trade and other payables	(1,447,194)	(1,447,194)	(725,930)	(725,930)
	(611,422)	(611,422)	610,746	610,746

Trade and other receivables / payables carrying amounts are considered to reflect their fair value. The basis for determining fair values is disclosed in Note 1(v).

17. RELATED PARTY TRANSACTIONS

Korab Resources Limited is the ultimate parent entity.

Interests in subsidiaries are disclosed in Note 12 and details of key management personnel compensation is set out in Note 19. The remuneration of key management personnel is set out in the Remuneration Report on page 12. Related party receivables are shown in Note 6 and related party payables in Note 10.

Mr Andrej Karpinski is a director and controlling shareholder of Rheingold Investments Corporation Pty Ltd ("Rheingold"). Management contract fees form part of the remuneration of directors and have been disclosed as such in the directors' report.

	2013 $	2012 $
Payments made to Rheingold Investments Corporation Pty Ltd for:		
- Management contract fees paid	219,175	292,075
- Management contract fees accrued	107,825	34,925
Total payments to Rheingold Investments Corporation Pty Ltd	327,000	327,000

In October 2008 the directors and Rheingold agreed to indefinitely suspend payments of the executive services fees (management contract fees) because of the global financial crisis. As of the date of this report, the payments for management contract fees have resumed but on a reduced basis with the unpaid portion of fees being accrued. The balance of outstanding liabilities to Rheingold and Mr. Karpinski at period end for loans and unpaid fees is $847,320 (2012: $679,652) at an interest rate of 9.63%. The loans and unpaid fees are not payable prior to 31 July 2014.

Mr. Karpinski has not received any directors' fees from Korab or its subsidiaries since the formation of Korab in March 1998.

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 $843,432 (2012: $789,997) at an interest rate of 8.5%. The receivable is not payable prior to 30 June 2014.

On 29 June 2013 the Company secured $480,000 debt facility from Chancery Holdings Pty Ltd (an entity controlled by Malcolm J. McKenzie who is a director of the Company) on normal commercial terms. As of 30 June 2013 this facility was undrawn.

18. CONTINGENT LIABILITIES

(a) Key Management Personnel Contracts

Contingent liabilities arising from key management personnel contracts are set out in the Remuneration Report as set out on page 12.

(b) Inquiry

The Company has received Notice of an inquiry from the Australian Securities & Investments Commission in relation to the circumstances regarding the proposed sale of tenements owned by the Company. The inquiry is ongoing as at the date of issue of this financial report. The financial implications of this matter on the Company are not known.

19. KEY MANAGEMENT PERSONNEL DISCLOSURES

Apart from the details disclosed in this note, no director has entered into a material contract with the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

(a) Key management personnel compensation

Key management personnel compensation included in corporate compliance and management costs is as follows:

	2013 ($)	**2012 ($)**
Short term benefits	379,000	379,000
Post-employment	2,340	2,340
	381,340	381,340

Information regarding individual directors and executives compensation is provided in the Remuneration Report as set out on pages 11 to 12. Details of equity instruments held directly, indirectly or beneficially by key management personnel and their related parties are included in the directors' report.

(b) Other key management personnel transactions

Amounts payable to key management personnel at reporting date in respect of outstanding fees, expenses and loans are:

	2013 ($)	**2012 ($)**
Current		
Trade and other payables	26,594	39,258
Loans and borrowings	-	24
Non-current		
Trade and other payables	560,362	589,609
Loans and borrowings	329,652	90,043

(c) Share options

The movement during the reporting period in the number of options in Korab Resources Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2013

Director	**Held at 01/07/12**	**Net acquired**	**Held at 30/6/13**
Andrej Karpinski	-	20,625,337	20,625,337
Rodney Skeet	-	-	-
Malcolm McKenzie	-	1,921,221	1,921,221

There were no options in the Company held, directly, indirectly or beneficially by any key management person during the prior period.

(d) Shares

The movement during the reporting period in the number of ordinary shares in Korab Resources Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2013

Director	**Held at 01/07/12**	**Net acquired**	**Held at 30/6/13**
Andrej Karpinski	20,678,215	-	20,678,215
Rodney Skeet	487,918	-	487,918
Malcolm McKenzie	5,763,660	-	5,763,660

2012

Director	**Held at 01/07/11**	**Net acquired / (disposed)**	**Held at 30/6/12**
Andrej Karpinski	20,486,362	191,853	20,678,215
Rodney Skeet	701,556	(213,638)	487,918
Malcolm McKenzie	5,741,875	21,785	5,763,660

20. COMMITMENTS

Lease commitments

	2013 $	**2012 $**
Non-cancellable operating leases (office lease)		
Within one year	62,250	63,000
Later than one year but not later than 5 years	-	-
	62,250	63,000

The office lease, which commenced on 15 January 2008, comprised an initial term of five years with an option to renew.

Mining tenements

	2013 $	**2012 $**
Annual expenditure commitments to maintain current rights to tenure of mining tenements	260,660	653,478
Rehabilitation obligations	-	20,000
	260,660	673,478

The consolidated entity has obligations to perform minimum exploration work and to meet annual payments in respect of rent and granted tenements. These obligations may be varied from time to time subject to approval and on this basis they are expected to be fulfilled in the normal course of operations. The Company can also meet its expenditure obligations by seeking joint venture partners or by way of sale of all or part of an interest in a tenement or by allowing tenements to lapse. Expenditure requirements for applications pending approval are not included.

The consolidated entity will be responsible for any rehabilitation obligations of Savanna Mineral Resources Pty. Ltd. (Savanna), a joint venture partner in respect of the Tenements arising from any activities on certain Tenements occurring prior to 20th February 2004 up to a maximum of $20,000, it being acknowledged and agreed by the Company and Savanna that any such rehabilitation obligations in excess of $20,000 will be the responsibility of Savanna.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2013

21. PARENT ENTITY INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

	2013 $	2012 $
Statement of Financial Position		
Current assets	158,129	988,193
Total assets	6,510,781	6,196,335
Current liabilities	477,872	277,675
Total liabilities	1,455,362	1,160,222
Equity		
Contributed equity	14,280,371	11,426,181
Reserves	89,406	-
Accumulated losses	(9,314,358)	(6,390,068)
	5,055,419	5,036,113
Loss for the year	(2,924,490)	(1,182,031)
Total comprehensive loss for the year	(2,924,290)	(1,182,031)

The parent entity has not provided any financial guarantees in respect of subsidiaries, nor did it have any contingent liabilities as at 30 June 2013 or 30 June 2012.

The Company's capital commitments are as follows:

Mining tenements

	2013 $	2012 $
Annual expenditure commitments to maintain current rights to tenure of mining tenements	260,660	316,001
Rehabilitation obligations	-	20,000
	260,660	336,001

The Company has obligations to perform minimum exploration work and to meet annual payments in respect of rent and granted tenements. These obligations may be varied from time to time subject to approval and on this basis they are expected to be fulfilled in the normal course of operations. The Company can also meet its expenditure obligations by seeking joint venture partners or by way of sale of all or part of an interest in a tenement or by allowing tenements to lapse. Expenditure requirements for applications pending approval are not included.

The Company will be responsible for any rehabilitation obligations of Savanna Mineral Resources Pty. Ltd. (Savanna), a joint venture partner in respect of the Tenements arising from any activities on certain Tenements occurring prior to 20th February 2004 up to a maximum of $20,000, it being acknowledged and agreed by the Company and Savanna that any such rehabilitation obligations in excess of $20,000 will be the responsibility of Savanna.

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2013

(1) In the opinion of the directors of Korab Resources Limited:

(a) the financial statements and notes set out on pages 14 to 42 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the *Corporations Regulations 2001,* and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001.*

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the directors.

Andrej K. Karpinski, FAICD, F Fin
Executive Chairman

Perth, Western Australia
30 September 2013

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Korab Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Korab Resources Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

HLB Mann Judd
Accountants | Business and Financial Advisers

Basis for Qualified Opinion

Included in the company's non-current trade and other receivables as at 30 June 2013 is a loan to Polymetallica Minerals Limited ("Polymetallica") of $842,432. Polymetallica is a company whose principal asset is expenditure on areas of interest in the exploration and evaluation phase. The directors of Korab Resources Limited have advised us that, in their opinion, the loan is fully recoverable based upon the value of the principal assets held by Polymetallica or the ability of Polymetallica to raise additional capital. We were unable to obtain sufficient appropriate audit evidence regarding the fair value of Polymetallica's areas of interest or ability to raise additional capital, in order to form an opinion as to the recoverability of the loan. Consequently, we are unable to determine whether any impairment of this loan is necessary.

Auditor's opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph:

(a) the financial report of Korab Resources Limited is in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Emphasis of Matter

Without further qualifying our conclusion, we draw attention to Note 1 to the financial statements which indicates that the Group is dependent on raising additional funding to enable it to continue as a going concern for the period of 12 months from the signing of the annual financial report. If the Group is unable to raise sufficient funding, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Korab Resources Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

W M Clark
Partner

Perth, Western Australia
30 September 2013

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Korab Resources Limited is responsible for corporate governance of the Company. The Board guides and monitors the business and affairs of Korab Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Parent Company does not have either full time or part time employees. Most of the administration and technical functions are outsourced to contractors who observe their own diversity and equal opportunity policies. Subsidiaries that form Korab Group are encouraged to seek diversification in their employment policies.

For further information on corporate governance policies adopted by Korab Resources Limited, refer to our website: www.korabresources.com.au.

BOARD OBJECTIVES

The Board will develop strategies for the Company, review strategic objectives, and monitor the performance against those objectives. The overall goals of the corporate governance process are to:

- drive shareholders value;
- assure a prudential and ethical base to the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory obligations.

Consistent with these goals, the Board assumes the following responsibilities;

- developing initiatives for profit and assets growth;
- reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- acting on behalf of, and being accountable to, the Shareholders;
- identifying business risks and implementing actions to manage those risks; and
- developing and effecting management and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to directors in a timely manner to facilitate directors' participation in Board discussions on a fully informed basis.

STRUCTURE OF THE BOARD

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report.

Election of Board members is substantially the province of the Shareholders in general meeting. However, the Company commits to the following principles:

- the Board to comprise of directors with a blend of skills, experience and attributes appropriate for the Company and its business;
- the principal criterion for the appointment of new directors being their ability to add value to the Company and its business.

The Board has adopted the ASX Corporate Governance Councils definition of an independent director contained their report titled "The Principles of Good Corporate Governance and Best Practice Recommendations".

The current Board structure is considered to best serve the Company in meeting its objectives, given its small capitalisation, limited resources and existing operations. The composition of the Board is reviewed on an annual basis to ensure that the Board has the appropriate mix of expertise and experience.

STATEMENT CONCERNING AVAILABILITY OF INDEPENDENT PROFESSIONAL ADVICE

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

SKILLS, EXPERIENCE, EXPERTISE AND TERM OF OFFICE OF EACH DIRECTOR

A profile of each director containing the applicable information is set out in the directors' report.

REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

At this time Korab has no remuneration or nomination committee. The board intends to form a remuneration committee during the current financial year.

NOMINATION ARRANGEMENTS

Where a vacancy is considered to exist, the board will select an appropriate candidate through consultation with external parties and consideration of the needs of shareholders and the Company. Such appointments will be referred to shareholders for re-election at the next annual general meeting. All directors, except the Executive Chairman, are subject to re-election by shareholders at least every three years.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will determine the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities. The Board will then appoint the most suitable candidate (assuming one is available) who must stand for election at the next annual general meeting.

PERFORMANCE

During the reporting period the entity did not have a formal process for evaluation of directors and Executives due to there only being three in total. The Chairman will undertake an annual assessment of the performance of the individual directors and meet privately with each director to discuss this assessment.

REMUNERATION ARRANGEMENTS

It is the Company’s objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective the Board intends to link the nature and amount of executive directors’ emoluments to the Company’s financial and operational performance. The expected outcomes of this remuneration structure will be:

- Retention and motivation of directors and executive officers
- Performance rewards to allow directors and executive officers to share the rewards of the success of Korab Resources Limited

The remuneration of the Executive Chairman is decided by the non-executive directors. In determining competitive remuneration rates the directors review local and international trends among comparative companies and the industry generally. Directors intend to consider an employee share option plan during the current financial year.

The maximum remuneration of non-executive directors is the subject of Shareholder resolution in accordance with the Company’s Constitution, and the Corporations Act as applicable. The duration of non-executive director’s remuneration within that maximum will be made by the Board having regard to the inputs and value of the Company of the respective contributions by each non-executive director.

The Board may award additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of the Company.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. All remuneration paid to directors and executives is valued at the cost to the Company and expensed.

AUDIT COMMITTEE

The shareholders in general meeting are responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors. The Board has not yet established an audit committee. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non-financial information.

IDENTIFICATION AND MANAGEMENT OF RISK

The Board's collective experience will enable accurate identification of the principal risks which may affect the Company's business. Management of these risks will be discussed by the Board at periodic (at least annual) strategic planning meetings. In addition, key operational risks and their management, will be recurring items for deliberation at Board meetings.

ETHICAL STANDARDS

The Board is committed to the establishment and maintenance of appropriate ethical standards to underpin the Company's operations and corporate practices.

INDEPENDENT DIRECTORS

The independent director is Rodney Skeet.

FEMALE EMPLOYEES

As at 30 June 2013 the parent company had no part time or full time employees.

As at 30 June 2013 the proportion of males and females employed by the Korab Group (including local and overseas subsidiaries) was as follows:

	Male	Female	Total	% Female
Directors	4	0	4	0%
Senior executives	3	1	4	25%
Other	9	3	12	25%
Total	16	4	20	20%

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

From 1 July 2012 to 30 June 2013 (the "Reporting Period") the Company complied with the Corporate Governance Principles and the Recommendations as published by the ASX Corporate Governance Council ("ASX Principles and Recommendations"), other than in relation to the matters specified below:

	Notification of Departure	**Explanation of Departure**
2.1	A majority of Board are not independent directors	The Board consists of an Executive Chairman, one independent non-executive director and one non-independent non-executive director. The Board does not consider it is cost effective to increase the size of the board to meet this recommendation given the size of the Company.
2.2	The Chairman is not an independent director	The Board considers that the Company is not currently of a size or complexity to require an independent Chairman. If the Company's activities increase in size, scope and/or nature the appointment of an independent Chairman will be considered by the Board.
2.3	The Chairman acts in the capacity of chief executive officer.	The Board considers that the Company is currently of a size and complexity where the Chairman can act in an executive capacity. If the Company's activities increase in size, scope and/or nature the appointment of a non-executive Chairman will be considered by the Board.
3.2, 3.3, 3.5	The Company has not adopted a formal diversity policy	The parent Company does not have either full time or part time employees. The contractors supplying services to the Company observe their own diversity and equal opportunity policies. The Board is confident that Korab Group's recruitment practices result in the employment of the most suitable candidate without discriminating unfairly against any potential employee on the basis of gender, age, ethnicity, culture, or on any other basis.
2.4	The Company does not have a Nomination Committee	The Board intends to appoint a Nomination Committee during the 2014 financial year
4.1	The Company does not have an Audit Committee	The Board intends to appoint an Audit Committee during the 2014 financial year.
8.1	The Company does not have Remuneration Committee	The Board intends to appoint a Remuneration Committee during the 2014 financial year.

ADDITIONAL SHAREHOLDER INFORMATION

Additional information required by the ASX Limited ("ASX") Listing Rules as at 30 September 2013 and not disclosed elsewhere in this report is set out below.

SUBSTANTIAL SHAREHOLDERS

The following shareholders have lodged substantial shareholder notices with ASX:

Beneficial holder	Shares	%
Andrej K. Karpinski,	20,678,215	15.31
Genus Dynamic Gold Fund	10,160,572	7.50
Sergiy Antonenko	10,000,000	7.40
Malcolm J. McKenzie	5,763,660	4.27

DISTRIBUTION OF SHAREHOLDERS

The distribution of securityholders is as follows:

Range of holding	Shareholders	Number Of Ordinary Shares
100,001 and over	149	109,925,738
10,001 – 100,000	586	22,526,421
5,001 – 10,000	224	1,925,281
1,001 – 5,000	216	693,284
1 – 1,000	125	27,720
Totals	1,300	135,098,444

The number of shareholders holding less than a marketable parcel of ordinary shares is 628.

VOTING RIGHTS (ORDINARY SHARES)

The voting rights attaching to Ordinary Shares are governed by the Constitution. On a show of hands every person present who is a member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. No options have any voting rights.

ON-MARKET BUYBACK

There is no current on-market buyback.

LISTED OPTIONS

Details of listed options are as follows:

Exercise price	Expiry date	Number of options in class	Those holding more than 20% of the class	Number held by those holding more than 20% of the class
$0.25	28/8/14	44,482,294	Rheingold Investments Corporation Pty Ltd	15,965,931

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest shareholders are as follows:

Name	Number Of Ordinary Fully Paid Shares	% Held Of Issued Ordinary Capital
ANDREJ KAZIMIE KARPINSKI	10,900,000	8.07%
SERGIY ANTONENKO	10,000,000	7.40%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,749,825	7.22%
RHEINGOLD INVESTMENTS CORPORATION PTY LTD	6,700,000	4.96%
MR IAN STUART WATSON & MRS CATHERINE JANE WATSON	6,340,000	4.69%
CUSTODIAL SERVICES LIMITED	4,716,564	3.49%
DENIS MELVILLE IRWIN	4,100,000	3.03%
CHANCERY HOLDINGS PTY LTD	3,339,281	2.47%
RHEINGOLD INVESTMENTS CORPORATION PTY LTD	3,078,215	2.28%
MR ANDREW GORDON MCCREA	2,941,176	2.18%
RIADIS HOLDINGS PTY LTD	2,790,012	2.07%
SELWYN BRUCE HATRICK	2,216,668	1.64%
VECTOR NOMINEES PTY LIMITED	1,700,000	1.26%
CHANCERY HOLDINGS PTY LTD	1,600,000	1.18%
TUCKETT HOLDINGS PTY LTD	1,392,742	1.03%
JBWERE (NZ) NOMINEES LIMITED	1,356,565	1.00%
JP MORGAN NOMINEES AUSTRALIA LIMITED	1,338,058	0.99%
MR WARREN BRUCE TUCKETT & MRS SUSANNE LEE TUCKETT	1,220,000	0.90%
OFFA PTY LTD	968,620	0.72%
MR DAVID RONALD LEAT	900,000	0.67%
Total	**77,347,726**	**57.25%**
Balance Of Register	**57,750,718**	**42.75%**
Grand Total	**135,098,444**	**100.00%**