



KORAB RESOURCES LIMITED
AND CONTROLLED ENTITIES

ABN 17 082 140 252

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

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CORPORATE DIRECTORY

DIRECTORS

Andrej K. Karpinski (Executive Chairman)
Rodney H.J. Skeet (Non-Executive Director)
Anthony G. Wills (Non-Executive Director)

COMPANY SECRETARY

Andrej K. Karpinski

REGISTERED & PRINCIPAL OFFICE

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AUDITORS

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Perth WA 6000

SHARE REGISTRY

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International Telephone: +61 2 8280 7761
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Email: registrars@linkmarketservices.com.au

SECURITIES EXCHANGE LISTING

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

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 2021. Korab Resources Limited is a listed public company incorporated and domiciled in Australia.

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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------|---------|---------|---------|---------|
| Loss after taxation (\$ million) | (0.531) | (0.261) | (0.543) | (0.491) | (0.602) |
| Basic and diluted loss per share (cents per share) | (0.16) | (0.08) | (0.18) | (0.17) | (0.26) |

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)
Appointed April 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 mining and exploration, oil and gas, corporate finance, commodities trading and funds management. He brings to the Company his network of Australian and international contacts within the resources and securities sectors, his administrative skills and his expertise in project evaluation and sourcing, financial risk management, treasury management, project financing and resources banking. Mr. Karpinski is a Fellow of the Australian Institute of Company Directors, a Fellow of the Financial Services Institute of Australasia and a Professional Member of the Society of Petroleum Engineers. 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 other listed company directorships. Mr Karpinski is a Director of unlisted public company Polymetallica Minerals Limited.

**Rodney H. J. Skeet (Non-Executive Director)
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 40 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 other listed company directorships. Mr Skeet is a director of unlisted public company Polymetallica Minerals Limited.

DIRECTORS' REPORT

Anthony G Wills (*Non-Executive Director*) **Appointed 1 May 2015**

Responsibilities: Mr. Wills brings to the Company experience in strategic planning, operations, security and risk management, communications, public relations and foreign affairs gained over his 30-year career.

Qualifications: Mr. Wills' background is in defence and finance. Mr Wills has for the last 21 years been involved in the finance industry. Prior to that he served for 20 years in the Australian Defence Force, including 10 years in the Specials Forces serving with the SAS Regiment. Mr. Wills also brings to the Company his extensive network of Australian and overseas contacts established through his involvement with the United Nations and its various missions. Mr Wills is a Member of the Australian Institute of Company Directors and a Senior Associate of the Financials Services Institute of Australasia. Mr. Wills continues his longstanding involvement with the SAS Regiment through his ongoing work for the SAS Resources Fund.

Other Directorships: During the past three years Mr Wills has not held any other listed company directorships. Mr. Wills is a director of unlisted public company Polymetallica Minerals 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 of mineral properties. There were no significant changes in the nature of these activities during the financial year.

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 (2020: Nil).

OPERATING RESULTS

The Company reported a consolidated loss after taxation for the period of \$530,785 (2020: loss of \$261,140), primarily relating to revenue of \$364,882 (2020: \$230,000) from sub-leasing of Geolsec phosphate project, corporate compliance and administration costs of \$493,610 (2020: \$637,019), and an impairment for exploration expenditure of \$395,459 (2020: \$Nil) resulting from the expiry of a tenement.

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.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

WINCHESTER MAGNESIUM CARBONATE PROJECT (RUM JUNGLE MINERAL FIELD, NT)

As reported to the market on 12 September 2018 and in subsequent report on 5 April 2019, Korab Group plans to develop the Winchester project (located near Darwin in the Northern Territory) as a quarry operation. The Company aims to produce raw magnesium carbonate rock which will then be crushed, screened, and sorted on-site prior to transfer to Darwin Port at East Arm, which is located approximately 90km by road from the project.

The Company intends for a part of the output from the quarry to be sold as an un-processed magnesium carbonate (DSO) and a part of the output to be sent for off-site processing into magnesium oxide in the form of high-grade and low-grade caustic calcined magnesia (CCM), and dead burned magnesia (DBM).

It is planned that this off-site processing would be undertaken by means of toll-treatment in kilns owned by third-parties. Thus the off-site production of CCM and DBM would not require additional capital investment.

Whilst Korab Group's work (that was not related to exploration or evaluation) has been focusing on the permitting for the development of the Winchester magnesium carbonate quarry to supply ore for DSO sales (as well as for potential off-site processing into DBM and CCM) the Company has continued to monitor the progress of new developments in the sectors of magnesium metal production, direct nuclear-to-electric energy conversion, rechargeable magnesium-ion batteries and magnesium-based single-use batteries.

These new technologies monitored by Korab Group rely on magnesium oxides (or other magnesium compounds) to achieve their objectives and consequently it is our belief that these developments may have a significant positive impact on the future demand for magnesium carbonate.

We note that some of these technologies are at a "pilot plant" stage; however, some of them have already entered commercial production, primarily for use in the defence, aerospace, and energy generation/storage sectors.

During the reporting period Korab Group advised the market that it has received an unsolicited approach from an Australian proprietary company which expressed an interest in the Winchester project. It was noted that the other party advised Korab Group that their interest in the project stems from the high quality of the deposit and its potential to serve as a source of the raw material (magnesium carbonate) for the production of magnesium metal. It was further noted that the parties were discussing various potential transactions, including a potential sale of a part, or the whole of the Winchester project.

Korab Group further advised that the discussions with the other party were ongoing but are incomplete and confidential. No commercial terms have been agreed between the parties. There can be no certainty that any agreement or agreements can be reached with the other party or that any transaction will eventuate. Accordingly, no investment decision should be made on the basis of this information.

During reporting period, on 15 July 2020, Korab reported that following the amendments to environmental assessment legislation and our discussions with the NT Department of Primary Industry and Resources and the NT Environmental Protection Agency it has been determined that the Notice of Intent to mine (NOI) for the Winchester quarry is no longer required. Korab further advised that as a consequence, Korab Group will be proceeding directly to prepare and submit to the NT Department of Industry, Tourism, and Trade (formerly Department of Primary Industry and Resources) the Mine Management Plan for Winchester quarry (MMP).

The work completed to date on the NOI is being used in the preparation of the MMP and will be useful in the development and the management of the Winchester quarry. Korab Group continues to work on the MMP with the aim of completing it as soon as possible. The process of MMP preparations is complex and in addition to the design of the start-up quarry, requires addressing issues relating to potential future expansion of the project and its related logistics and infrastructure.

In essence, the mine, site infrastructure, and plant layout would be very simple and rudimentary if Winchester project was to be operated as a DSO quarry which does not require any on-site mineral processing (other than crushing, screening, and sorting).

The mine, mining schedule, site infrastructure, and plant layout would be quite different and much more complex if Winchester project was expanded to include a kiln and a smelter and if it was to be operated as a magnesium metal producer (as the other party mentioned above is interested in doing).

DIRECTORS' REPORT

The MMP, which the Company is working on, should allow for this potential expansion to be accomplished with a minimum disruption to the ongoing DSO quarry operation and without the necessity to relocate the mine infrastructure including the pit access ramps, ROM pads, stockpiles, waste dumps, internal roads, plant site, etc.

MMP development also includes “quarantining” of certain zones of the project area to ensure that the infrastructure does not end up “sitting” on top of the potential valuable mineral resource.

The work on the MMP has continued through the reporting period and has progressed well. However, at the time of this report there are still some aspects of the quarry operation that need to be revised and consequently, Korab Group is not in a position at this point in time to provide temporal guidance regarding the anticipated timing of the completion and the lodgment of the MMP. Korab Group will advise the market once the MMP for the Winchester quarry has been completed and lodged.

Following the end of the reporting period, Korab group has been approached by yet another unrelated party with an unsolicited proposal to enter into an agreement to jointly develop the Winchester quarry where the other party will fully fund the development in exchange for sharing the future profits from the quarry. No commercial terms have been agreed between the parties. There can be no certainty that any agreement or agreements can be reached with the other party or that any transaction will eventuate. Accordingly, no investment decision should be made on the basis of this information.

During and following the end of the reporting period, Korab Group continued discussions and negotiations with various parties including trading houses, refractory ceramics producers, other potential buyers of magnesium carbonate rock, CCM, and DBM, as well as kiln operators, and equipment suppliers. Discussions with interested parties are ongoing but are incomplete and details are confidential. There can be no certainty that any agreement or agreements can be reached or that any transaction will eventuate from these discussions.

Other than the agreement with ZM Ropczyce reported during the March 2019 quarter, no commercial terms have been agreed between the parties. Accordingly, no investment decision should be made on the basis of this information. Korab will advise the market if and when an agreement or agreements regarding offtakes and/or toll-treatment have been reached.

The proposed Winchester magnesium carbonate quarry is located 2 km from the regional centre of Batchelor some 70km south of Darwin along Stuart Highway. Deposit is at shallow depth and is covered by a thin layer (few meters) of unconsolidated clay and gravel. Winchester magnesium carbonate rock can be quarried using a simple drill and blast, shovel, and truck method.

Magnesium carbonate rock (after it has been converted to magnesium oxide) is primarily used in the making of refractory linings necessary for the production of steel, cement, and glass. Other main uses of magnesium oxides and other magnesium compounds are in water purification, nickel and cobalt metallurgy, cattle feed, production of high-strength light-weight metal alloys, direct energy conversion technologies, and rechargeable and single-use batteries.

BACHELOR/GREEN ALLIGATOR POLYMETALLIC PROJECT (RUM JUNGLE MINERAL FIELD, NT)

Korab continued exploration and evaluation of Batchelor/Green Alligator project with particular focus on gold, cobalt, nickel, lead, scandium, and base metals. No reportable exploration results (as the term is defined in the section 18 of the 2012 JORC code) were generated. Korab has also continued discussions with third parties regarding potential JV's to explore the project for various commodities. During the reporting period, exploration licence EL29550 forming part of the Batchelor Project located in the Northern Territory has been renewed for further 2 years to 31 July 2022 and is eligible for further renewals.

SUNDANCE GOLD MINE (RUM JUNGLE MINERAL FIELD, NT)

The Company has continued work on re-opening the Sundance gold mine located south of Darwin in the Northern Territory and on treating the rock (which has been stockpiled on the mining leases) at the processing plant owned by a third party. Discussions with third parties are ongoing but are incomplete and details are confidential. There can be no certainty that any agreement or agreements can be reached or that any agreement will eventuate from these discussions. Accordingly, no investment decision should be made on the basis of this information. The Sundance gold mine is located on granted mining leases MLN542 and MLN543 (100% owned by Korab).

DIRECTORS' REPORT

GEOLSEC ROCK PHOSPHATE PROJECT (RUM JUNGLE MINERAL FIELD, NT)

During the quarter Korab Group focused on other mineral assets and consequently exploration work at the Geolsec project was limited. An unrelated company (the Miner), is sub-leasing the Geolsec phosphate project from Korab Group (as reported to the market on 25 July 2018, and 9 November 2020).

As reported previously, Korab Group received from the Miner an expression of interest to purchase the whole of the Geolsec project from Korab Group. The discussions regarding the potential sale of the Geolsec project are incomplete and confidential and there can be no certainty that any agreement or agreements can be reached or that any sale transaction will eventuate. No commercial terms have been agreed between the parties for the sale of the Geolsec project. Accordingly, no investment decision should be made on the basis of this information.

BOBRIKOVO GOLD AND SILVER PROJECT (LUHANSK REGION, UKRAINE)

During the prior reporting period, on 24 September 2019, Korab Group reported that that it has received notification from its Ukrainian subsidiary "DKL" that on the basis of the Executive Order/Decree of the President of Ukraine, all exploration licences, mining permits, and leases held by "DKL" whose term would have otherwise expired, have been prolonged until the end of the hostilities in the Luhansk region. During the reporting period Korab Group continued engagement with stakeholders, contractors, advisers, and potential partners/investors with the view to a JV, sub-leasing, sale, or re-commencing operations at this project notwithstanding the uncertain situation in eastern Ukraine where the project is located. The discussions regarding the Bobrikovo project are incomplete and confidential and there can be no certainty that any agreement or agreements can be reached or that any transaction will eventuate. No commercial terms have been agreed between the parties. Accordingly, no investment decision should be made on the basis of this information.

MT. ELEPHANT/ASHBURTON DOWNS PROJECT (ASHBURTON MINERAL FIELD, WA)

During the reporting period, Korab Group continued the exploration and evaluation of the Mt. Elephant project exploration licences E08/2307, E52/2724, E08/2756, and E08/2757, focusing primarily on their gold, iron ore, and base metals potential. No reportable exploration results (as the term is defined in the section 18 of the 2012 JORC code) were generated. As at 30 June 2021, Mt. Elephant consisted of 4 granted exploration licences E08/2757, E52/2724, E08/2307, E08/2756, and 3 exploration licence applications E52/3872, E08/3264 and E08/3302 ("Tenements"). Korab decided not to apply for the extension/renewal of the exploration licence E08/2115 which was due to expire on 3 November 2020 and consequently the licence has expired.

Great Fingall Mining Company NL (GFMC), held the option to acquire the project (as reported to the market on 25 July 2018), The option held by GFMC expired on 21 June 2020 as envisaged in the ASX report dated 25 October 2019. The transaction covered the Mt. Elephant Project located in the Ashburton Mineral Field south of Paraburdoo in Western Australia. Korab Group and GFMC are negotiating a new option agreement. No terms have been agreed between the parties and there can be no certainty that any agreement or agreements can be reached or that any transaction will eventuate from these discussions.

Whilst GFMC is responsible for the exploration, rent, shire rates and other costs associated with Mt. Elephant Project incurred up to and including the expiry date of the option, Korab Group was providing exploration management and tenement management support to GFMC. GFMC is to reimburse Korab for services provided by Korab Group while the option was in effect.

DIRECTORS' INTERESTS

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

| <u>Name</u> | <u>Ordinary shares</u> | <u>Options over ordinary shares</u> |
|---------------------|------------------------|-------------------------------------|
| Andrej K. Karpinski | 59,734,739 | - |
| Rodney H.J. Skeet | 569,238 | - |
| Anthony G Wills | - | - |

DIRECTORS' REPORT

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.

IDENTIFICATION OF INDEPENDENT DIRECTORS

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

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 | Meetings attended | Number eligible to attend |
|---------------------|----------------------|------------------------------|
| Andrej K. Karpinski | 19 | 19 |
| Anthony G Wills | 19 | 19 |
| Rodney H.J. Skeet | 3 | 19 |

SHARE OPTIONS

Shares under option

The following is the movement during the period in options over shares in the Company.

| Expiry date | Exercise price | Number 01/07/20 | Issued | Expired | Exercised | Number 30/06/21 |
|----------------|-------------------|--------------------|--------|---------|-----------|--------------------|
| | | - | - | - | - | - |

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.

SUBSEQUENT EVENTS

On 28 October 2021 the Company issued 34,557,019 shares at 5.5 cents per share to unrelated exempt investors to raise \$1,900,636 before costs with funds to be used to continue exploration and development work on Korab's mineral assets, for general working capital purposes, and to retire debt.

No other matter or circumstance has arisen since 30 June 2021 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.

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 49 of this Financial Report.

DIRECTORS' REPORT

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.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 14.

NON-AUDIT SERVICES

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

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.

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 (2020: Nil).

DIRECTORS' REPORT

Fixed compensation

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

Service contracts

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

Andrej K Karpinski, Executive Chairman. In July 2008 the Company entered into an 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 Rheingold Investments Corporation Pty Ltd twelve (12) months' notice. In the event the Company does not require the services provided under the Executive Service Agreement with Rheingold Investments Corporation Pty Ltd, the Company shall pay to Rheingold Investments Corporation Pty Ltd an amount of \$327,000 plus GST.

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.

| | Andrej Karpinski | Rodney Skeet | Anthony Wills | Total | |
|---------------------------------|-----------------------------|-------------------------|---------------------------|--------------------------|----------------|
| | \$ | \$ | \$ | \$ | |
| 2021 | | | | | |
| <i>Short-term benefits</i> | | | | | |
| 2021 year fees | 327,000 | 26,000 | 26,000 | 379,000 | |
| <i>Post-employment benefits</i> | | | | | |
| Superannuation contributions | - | - | 2,470 | 2,470 | |
| Performance related % | - | - | - | - | |
| Total | 327,000 | 26,000 | 28,470 | 381,470 | |
| | | | | | |
| | Andrej Karpinski | Rodney Skeet | Daniel Smetana | Anthony Wills | Total |
| | \$ | \$ | \$ | \$ | \$ |
| 2020 | | | | | |
| <i>Short-term benefits</i> | | | | | |
| 2020 year fees | 327,000 | 26,000 | 13,000 | 26,000 | 392,000 |
| <i>Post-employment benefits</i> | | | | | |
| Superannuation contributions | - | - | 1,235 | 2,470 | 3,705 |
| Performance related % | - | - | - | - | - |
| Total | 327,000 | 26,000 | 14,235 | 28,470 | 395,705 |

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 and has never in the past received director's fees. Rheingold Investments Corporation Pty Ltd, a company controlled by the Executive Chairman receives 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. No remuneration consultants were used during the year.

DIRECTORS' REPORT

Loans to and other related transactions with key management personnel

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.

| | 2021 | 2020 |
|---|----------------|----------------|
| | \$ | \$ |
| Fees to Rheingold Investments Corporation Pty Ltd for: | | |
| - Management contract fees | 327,000 | 327,000 |
| Total fees to Rheingold Investments Corporation Pty Ltd | <u>327,000</u> | <u>327,000</u> |

During the prior period the directors and Rheingold agreed to suspend payments of the executive services fees (management contract fees) and directors' fees. The unpaid fees are being accrued. The balance of outstanding liabilities to Rheingold, Mr. Karpinski and his related entities at period end for loans to the parent entity and unpaid fees is \$916,174 (2020: \$660,926) at an average interest rate of 12.0%. This aggregate amount consists of loans of \$600 at an interest rate of 22% (2020: \$14,026) and \$915,574 at an interest rate of 12% (2020: \$646,900). The loans and unpaid fees are not payable prior to 30 September 2022. These loans and debt become payable immediately on change of control of Korab. Mr. Karpinski has not received any directors' fees from Korab or its subsidiaries since the formation of Korab in March 1998. During the reporting period accrued directors fees and Rheingold management fees were converted to loans and some of the prior year loans and converted fees were repaid. Interest accrued to Rheingold, Mr. Karpinski and his related entities during the reporting period was \$87,335 (2020: \$63,910).

The balance of outstanding liabilities to directors, excluding Mr. Karpinski and their related entities at period end for loans to the parent entity and unpaid fees is \$539,643 (2020: \$448,347) at an average interest rate of 12%. The loans and unpaid fees are not payable prior to 30 September 2022. Interest accrued to directors, excluding Mr. Karpinski and their related entities during the reporting period was \$57,196 (2020: \$46,075).

Mr Andrej Karpinski is a director and significant shareholder of Polymetallica Minerals Limited (formerly Uranium Australia Pty Ltd). The balance of outstanding receivables from Polymetallica Minerals Limited at period end is \$1,145,986 (2020: \$1,089,087) at an interest rate of 8.5%. The receivable is not payable prior to 30 September 2022. The balance of outstanding receivables from Polymetallica Minerals Limited consist of funds provided by the Company to pay for tenement rents and other project related costs in relation to projects where the Company and Polymetallica have, or had joint venture arrangements, and/or production sharing agreements, plus any accrued interest. These joint venture arrangements and/or production sharing agreements were established when Polymetallica was a subsidiary of the Company prior to Polymetallica being demerged (spun-off) from the Company. The Company has a registered security over all current and future assets of Polymetallica until the debt is repaid in full. During the year Polymetallica paid the Company \$35,777 (2020: \$55,390) in interest with the remaining interest of \$56,888 (2020: \$34,236) accruing.

Amount within trade and other payables owed to KMPs are \$30,032 (2020: \$27,357), refer to Note 9.

Refer to Note 16 and Note 17 for further disclosures of related party transactions.

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:

| Director | Held at 1/7/20 | Issued / (expired) | Held at 30/6/21 |
|------------------|-----------------------|---------------------------|------------------------|
| Andrej Karpinski | - | - | - |
| Rodney Skeet | - | - | - |
| Anthony Wills | - | - | - |

DIRECTORS' REPORT

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:

| Director | Held at 1/7/20 | Net acquired | Held at 30/6/21 |
|------------------|-----------------------|---------------------|------------------------|
| Andrej Karpinski | 59,734,739 | - | 59,734,739 |
| Rodney Skeet | 569,238 | - | 569,238 |
| Anthony Wills | - | - | - |

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year the Company did not pay a premium to insure the directors and officers of the Company and its controlled entities.

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



Andrej K Karpinski, FAICD, F Fin, (Executive Chairman)
Perth, Western Australia,
29 October 2021

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 2021, 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.

Perth, Western Australia
29 October 2021



D I Buckley
Partner

hl**b.com.au**

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

| | Notes | 30 June 2021 \$ | 30 June 2020 \$ |
|--|-------|--------------------|--------------------|
| Revenue | 2 | 364,882 | 230,000 |
| Finance income | | 111,574 | 89,881 |
| Foreign exchange gain / (loss) | | 10,755 | (2,354) |
| Other income | 2 | - | 10,527 |
| Finance expense | | (330,029) | (224,837) |
| Impairment of exploration expenditure (tenement expiry) | | (395,459) | - |
| Corporate compliance and management | | (493,610) | (637,019) |
| Occupancy costs | | (33,685) | (31,713) |
| Conference, travel and public relations | | (12,678) | (3,075) |
| Contractor expenses capitalised | | 247,465 | 307,450 |
| Loss before income tax | | (530,785) | (261,140) |
| Income tax expense | 4 | - | - |
| Loss for the year | | (530,785) | (261,140) |
| Other comprehensive income for the year net of income tax | | | |
| <i>Items that may be classified to profit or loss</i> | | | |
| Exchange difference on translation of foreign operations | | - | - |
| Total comprehensive loss for the year | | (530,785) | (261,140) |
| Basic and diluted loss per share (cents per share) | 6 | (0.16) | (0.08) |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

| | Notes | 30 June 2021 \$ | 30 June 2020 \$ |
|---|-------|--------------------|--------------------|
| Current assets | | | |
| Cash and cash equivalents | | 93,313 | 163,840 |
| Trade receivables and other financial assets | 7 | 71,872 | 102,455 |
| Total current assets | | <u>165,185</u> | <u>266,295</u> |
| Non-current assets | | | |
| Trade receivables and other financial assets | 7 | 1,157,882 | 1,090,993 |
| Exploration and evaluation | 8 | 3,033,283 | 3,144,427 |
| Total non-current assets | | <u>4,191,165</u> | <u>4,235,420</u> |
| Total assets | | <u>4,356,350</u> | <u>4,501,715</u> |
| Current liabilities | | | |
| Trade and other payables | 9 | 373,203 | 484,836 |
| Loans and borrowings | 10 | 56,770 | 135,393 |
| Total current liabilities | | <u>429,973</u> | <u>620,229</u> |
| Non-current liabilities | | | |
| Loans and borrowings | 10 | 2,678,062 | 2,102,386 |
| Total non-current liabilities | | <u>2,678,062</u> | <u>2,102,386</u> |
| Total liabilities | | <u>3,108,035</u> | <u>2,722,615</u> |
| Net assets | | <u>1,248,315</u> | <u>1,779,100</u> |
| Equity | | | |
| Contributed equity | 14 | 19,374,803 | 19,374,803 |
| Foreign currency translation reserve | 14 | (997,078) | (997,078) |
| Non-controlling interest contribution reserve | 14 | (1,036,227) | (1,036,227) |
| Accumulated losses | 14 | (16,093,183) | (15,562,398) |
| Total equity | | <u>1,248,315</u> | <u>1,779,100</u> |

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 2021

| | Notes | 30 June 2021 \$ | 30 June 2020 \$ |
|--|-------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Sublease revenue | | 467,909 | 140,000 |
| Payments to suppliers and employees | | (226,697) | (211,910) |
| Interest received | | 18,908 | 255 |
| Interest paid | | (51,815) | (13,727) |
| Net cash flows provided by / (used in) operating activities | 12(a) | <u>208,305</u> | <u>(85,382)</u> |
| Cash flows from investing activities | | | |
| Exploration and evaluation expenditure | | (140,425) | (148,973) |
| Exploration and evaluation expenditure reimbursed | | 69,531 | 194,328 |
| Net cash flows (used in) / provided by investing activities | | <u>(70,894)</u> | <u>45,355</u> |
| Cash flows from financing activities | | | |
| Cash received from issue of ordinary shares | 14(a) | - | 337,228 |
| Proceeds from borrowings | 12(d) | 595,425 | 226,026 |
| Option fee received | | - | 10,000 |
| Repayment of advances to other entities | | 35,777 | 55,390 |
| Cash repayments of borrowings | 12(d) | (839,140) | (507,493) |
| Net cash flows (used in) / provided by financing activities | | <u>(207,938)</u> | <u>121,151</u> |
| Net (decrease) / increase in cash and cash equivalents | | (70,527) | 81,124 |
| Cash and cash equivalents at the beginning of the financial year | | <u>163,840</u> | <u>82,716</u> |
| Cash and cash equivalents at the end of the financial year | 12(b) | <u>93,313</u> | <u>163,840</u> |

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 2021

| | Contributed equity \$ | Accumulated losses \$ | Non- controlling interest contribution reserve \$ | Foreign currency translation reserve \$ | Total \$ |
|--|-----------------------------|-----------------------------|--|---|-------------|
| Balance at 1 July 2019 | 19,037,575 | (15,301,258) | (1,036,227) | (997,078) | 1,703,012 |
| Loss for the year | - | (261,140) | - | - | (261,140) |
| Total comprehensive loss for the year | - | (261,140) | - | - | (261,140) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Shares issued for cash | 337,228 | - | - | - | 337,228 |
| Balance at 30 June 2020 | 19,374,803 | (15,562,398) | (1,036,227) | (997,078) | 1,779,100 |
| Loss for the year | - | (530,785) | - | - | (530,785) |
| Total comprehensive loss for the year | - | (530,785) | - | - | (530,785) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Shares issued for cash | - | - | - | - | - |
| Balance at 30 June 2021 | 19,374,803 | (16,093,183) | (1,036,227) | (997,078) | 1,248,315 |

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 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING 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 29 October 2021. 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 or 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 \$264,788 (2020: \$353,934) and had a net cash inflow from operations for the year ended 30 June 2021 of \$208,305 (2020: outflow of \$85,382). 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 being able to obtain additional funding through increase in debt, raising of additional share capital, or sale of assets. Should this not occur, or not occur on a sufficiently timely basis, there is a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

(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) Recoverability of loan to Polymetallica Minerals Limited

Korab has been advised by Polymetallica that it is in the process of arranging of a debt and equity 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) 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.

(d) Receivables

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

(e) 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021**

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.

(f) 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(c).

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.

(g) 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021**

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 as 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.

(h) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchases of these goods and services. Trade and other payables are represented as current liabilities unless payment is not due within 12 months.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

(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.

(m) 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.

(n) 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.

(o) Comparative figures

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

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

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.

(q) 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:

Sublease Revenue

Sublease of mining rights is recognised on a straight-line basis over the life of the lease where it is probable economic benefits will flow to the entity.

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.

(r) Borrowing costs

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

(s) Parent entity financial information

The financial information for the parent entity, Korab Resources Limited, disclosed in Note 20 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.

(t) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

(i) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

(ii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

(iii) Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity securities that were previously classified as 'available-for-sale' under AASB 139. Any gains or losses recognised in other comprehensive income (OCI) are not recycled upon derecognition of the asset.

(iv) Debt instruments at fair value through other comprehensive income (Debt FVOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI. The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is to "hold to collect" the associated cash flows and sell financial assets; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

(u) Leases

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(v) 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

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.

(w) 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.

(x) New accounting standards and interpretations

Standards and Interpretations in issue not yet adopted

The Directors have reviewed new accounting standards and interpretations that have been published that are not mandatory for 30 June 2021 reporting periods. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is likely to company accounting policies.

Standards and Interpretations applicable to 30 June 2021

In the 12 month period ended 30 June 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Company has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Company's financial statements.

2. REVENUE / OTHER INCOME

| | 2021 | 2020 |
|--------------------------------|----------------|----------------|
| | \$ | \$ |
| <i>Revenue</i> | | |
| Sublease revenue | 364,882 | 220,000 |
| Option fee - over time revenue | - | 10,000 |
| | <u>364,882</u> | <u>230,000</u> |
| <i>Other income</i> | | |
| GST written back | - | 10,527 |
| | <u>-</u> | <u>10,527</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

3. SEGMENT REPORTING

AASB 8 *Operating Segments* 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. All non-current assets, revenue and finance income for the current and prior period have a geographical location in Australia.

| | 2021 | 2020 |
|--------------------------------|-------------|-------------|
| | \$ | \$ |
| Australia – non-current assets | 4,191,165 | 4,235,420 |
| Australia – revenue | 364,882 | 230,000 |
| Australia – finance income | 111,574 | 89,881 |

4. INCOME TAX EXPENSE

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

| | 2021 | 2020 |
|---|-------------|-------------|
| | \$ | \$ |
| Loss before income tax expense | (530,785) | (261,140) |
| Prima facie income tax benefit on pre-tax loss at the Australian income tax rate of 26% (2020: 27.5%) | (138,004) | (71,814) |
| Tax effect of: | | |
| Current year tax benefit not brought to account | 138,004 | 71,814 |
| Income tax expense | - | - |

The consolidated entity has a deferred tax asset in respect of income tax losses. This asset has not been brought to account in the Statement of Financial Position as realisation is not considered probable.

5. AUDITORS’ REMUNERATION

Audit and review services:

| | 2021 | 2020 |
|--|-------------|-------------|
| | \$ | \$ |
| Auditors of the Company: HLB Mann Judd | 60,479 | 54,452 |
| | 60,479 | 54,452 |

6. BASIC EARNINGS PER SHARE

| | 2021 | 2020 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| Loss from operations attributable to ordinary equity holders of Korab used to calculate basic and diluted earnings per share | (530,785) | (261,140) |
| | Number of shares | Number of shares |
| <i>Weighted average number of shares</i> | | |
| 1 July (basic and diluted) | 332,492,981 | 311,799,483 |
| Shares issued | - | 12,696,939 |
| 30 June (basic and diluted) | 332,492,981 | 324,496,422 |

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

7. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

| | 2021 | 2020 |
|-----------------------------|------------------|------------------|
| | \$ | \$ |
| <i>Current</i> | | |
| Trade and other receivables | 71,872 | 92,455 |
| Other financial assets | - | 10,000 |
| | <u>71,872</u> | <u>102,455</u> |
| <i>Non-current</i> | | |
| Other financial assets | 1,157,882 | 1,090,993 |
| | <u>1,157,882</u> | <u>1,090,993</u> |

\$Nil (2020: \$10,000) of the current and \$1,145,986 (2020: \$1,079,097) of the non-current financial assets is a secured 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% and is not payable prior to 30 September 2022. The balance of outstanding amounts from Polymetallica Minerals Limited consist of funds provided by the Company to pay for tenement rents and other project related costs in relation to projects where the Company and Polymetallica have, or had joint venture arrangements, and/or production sharing agreements, plus any accrued interest. These joint venture arrangements and/or production sharing agreements were established when Polymetallica was a subsidiary of the Company prior to Polymetallica being demerged (spun-off) from the Company. The Company has registered security over all assets of Polymetallica.

8. EXPLORATION AND EVALUATION

| | 2021 | 2020 |
|---|------------------|------------------|
| | \$ | \$ |
| <i>Areas of interest in the exploration and evaluation phase:</i> | | |
| Cost at beginning of the year | 3,299,646 | 3,013,829 |
| Capitalised contractor fees | 247,465 | 307,450 |
| Other expenditure capitalised during the period | 106,381 | 172,695 |
| Expenditure reimbursed and reimbursable | (69,531) | (194,328) |
| Cost at end of the year | <u>3,583,961</u> | <u>3,299,646</u> |
| Impairment provision | (550,678) | (155,219) |
| Carrying amount at the end of the year | <u>3,033,283</u> | <u>3,144,427</u> |

A subsidiary, Australian Copper Holdings Pty Ltd, has recognised an impairment charge of \$395,459 during the period as a consequence of the relinquishment of a tenement.

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

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.

9. TRADE AND OTHER PAYABLES

| | 2021 | 2020 |
|---|----------------|----------------|
| | \$ | \$ |
| <i>Current</i> | | |
| Trade payables and accrued expenses (i) | 343,171 | 457,479 |
| Trade payables - related parties | 30,032 | 27,357 |
| | <u>373,203</u> | <u>484,836</u> |

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

10. LOANS AND BORROWINGS

| | 2021 \$ | 2020 \$ |
|---|------------|------------|
| <i>Current</i> | | |
| Loans payable - related parties – unsecured (i) | 56,770 | 34,900 |
| Loans payable - third parties – unsecured (ii) | - | 100,493 |
| | 56,770 | 135,393 |
| <i>Non-current</i> | | |
| Loans payable - related parties – unsecured (i) | 1,538,510 | 1,208,488 |
| Loans payable - third parties – unsecured (ii) | 1,139,552 | 893,898 |
| | 2,678,062 | 2,102,386 |

- (i) The terms and conditions of related party loans and borrowings are set out in Notes 16 and 17, Related Party Transactions and Key Management Personnel Disclosures respectively.
- (ii) The third party loans and borrowings are on arms-length terms and conditions. The third party loans and borrowings are not payable prior to 30 September 2022 and are at an interest rate of 12%.

11. SUBSIDIARIES

| | Country of incorporation | Class of shares | Equity holding | |
|--|-----------------------------|--------------------|----------------|------|
| | | | 2021 | 2020 |
| Held by parent | | | | |
| Lugansk Gold Pty Limited | Australia | Ordinary | 100% | 100% |
| Geolsec Phosphate Operations Pty Limited | Australia | Ordinary | 100% | 100% |
| Melrose Gold Mines Pty Limited | Australia | Ordinary | 100% | 100% |
| Australian Copper Pty Limited | Australia | Ordinary | 100% | 100% |
| Ausmag Pty Limited | Australia | Ordinary | 100% | 100% |
| Held by Australian Copper Pty Limited | | | | |
| Australian Copper Holdings Pty Limited | Australia | Ordinary | 100% | 100% |
| Held by Lugansk Gold Pty Limited | | | | |
| LLC “Donetsky Kryazh” | Ukraine | Ordinary | 100% | 100% |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

12. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

| | 2021 \$ | 2020 \$ |
|---|----------------|-----------------|
| <i>(a) Reconciliation of (loss) after income tax to net cash flow from operating activities</i> | | |
| (Loss) for the year | (530,785) | (261,140) |
| <i>Non-cash items</i> | | |
| Capitalised contactor fees | (247,465) | (307,450) |
| Management fees set off against loans | 467,920 | 459,064 |
| Option fee included in financing activities | - | (10,000) |
| Net interest expense | 185,548 | 121,484 |
| Foreign exchange gain | (10,755) | - |
| Impairment of exploration expenditure (tenement expiry) | 395,459 | - |
| Corporate advice fee cancelled | (42,329) | - |
| <i>Change in assets and liabilities</i> | | |
| - Decrease / (increase) in trade receivables and other financial assets | 51,336 | (43,040) |
| - (Decrease) in trade and other payables | (60,624) | (44,300) |
| Net cash inflow / (outflow) from operating activities | <u>208,305</u> | <u>(85,382)</u> |
| <i>(b) Cash and cash equivalents</i> | | |
| Cash at bank and at call | <u>93,313</u> | <u>163,840</u> |

Cash balances include \$12,900 (2020: \$12,900) term deposit securing a bank guarantee in favour of the Department of Primary Industry and Resources.

(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.

| <i>(d) Changes in liabilities arising from financing activities – unsecured borrowings</i> | 2021 \$ | 2020 \$ |
|--|------------------|------------------|
| Balance at 1 July | 2,237,779 | 1,843,449 |
| Proceeds from borrowings | 595,425 | 226,026 |
| Cash used for repayment of borrowings | (839,140) | (507,493) |
| Interest accrued | 278,214 | 222,949 |
| Fees converted to debt | 467,920 | 459,064 |
| Other | (5,366) | (6,216) |
| Balance at 30 June | <u>2,734,832</u> | <u>2,237,779</u> |

13. SUBSEQUENT EVENTS

On 28 October 2021 the Company issued 34,557,019 shares at 5.5 cents per share to unrelated exempt investors to raise \$1,900,636.05 before costs with funds to be used to continue exploration and development work on Korab's mineral assets, for general working capital purposes, and to retire debt.

No other matter or circumstance has arisen since 30 June 2021 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

14. CAPITAL AND RESERVES

(a) Contributed equity:

| | 2021 Number | 2021 \$ | 2020 Number | 2020 \$ |
|--|--------------------|-------------------|--------------------|-------------------|
| <i>Movements in ordinary shares on issue</i> | | | | |
| 1 July | 332,492,981 | 19,374,803 | 311,799,483 | 19,037,575 |
| Issue of shares for cash | - | - | 20,693,498 | 337,228 |
| 30 June | <u>332,492,981</u> | <u>19,374,803</u> | <u>332,492,981</u> | <u>19,374,803</u> |

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

| | 2021 \$ | 2020 \$ |
|---------------------|---------------------|---------------------|
| 1 July | (15,562,398) | (15,301,258) |
| Loss for the period | (530,785) | (261,140) |
| 30 June | <u>(16,093,183)</u> | <u>(15,562,398)</u> |

(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.

| | | |
|---------|------------------|------------------|
| 1 July | (997,078) | (997,078) |
| 30 June | <u>(997,078)</u> | <u>(997,078)</u> |

(d) 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.

| | 2021 \$ | 2020 \$ |
|---------|--------------------|--------------------|
| 1 July | (1,036,227) | (1,036,227) |
| 30 June | <u>(1,036,227)</u> | <u>(1,036,227)</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

15. 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 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:

| | 2021 | 2020 |
|-----------------------------|------------------|------------------|
| | \$ | \$ |
| <i>Carrying amount:</i> | | |
| Cash and cash equivalents | 93,313 | 163,840 |
| Trade and other receivables | 71,782 | 92,455 |
| Other financial assets | 1,157,882 | 1,100,993 |
| | <u>1,322,977</u> | <u>1,357,288</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

15. FINANCIAL RISK MANAGEMENT (continued)

(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 2021 (\$) | Weighted average effective interest rate 2021 | Variable rate instruments at call 2020 (\$) | Weighted average effective interest rate 2020 |
|------------------------------|---|---|---|---|
| <i>Financial assets</i> | | | | |
| Cash and cash equivalents | 93,313 | 1.8% | 163,840 | 1.8% |

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

| | 2021 (\$) | 2020 (\$) |
|---------------------------|------------------|------------------|
| Variable rate instruments | 93,313 | 163,840 |
| Fixed rate instruments | 1,145,986 | 1,089,097 |

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

| | 2021 (\$) | 2020 (\$) |
|------------------------|------------------|------------------|
| Fixed rate instruments | 2,734,832 | 2,237,779 |

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 2020:

| | Profit and loss (\$) |
|-----------------------|-----------------------------|
| 30 June 2021 increase | 9,331 |
| 30 June 2021 decrease | (9,331) |
| 30 June 2020 increase | 16,384 |
| 30 June 2020 decrease | (16,384) |

(ii) Price risk

The consolidated entity was not exposed to equity securities price risk at 30 June 2021 or 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

15. FINANCIAL RISK MANAGEMENT (continued)

(b) *Market risk (continued)*

(iii) *Currency risk*

The Company has one US\$ denominated loan with a value of A\$139,463 (US\$103,882) at 30 June 2021 (30 June 2020: A\$134,115 / US\$91,651). Other than this the consolidated entity had no material exposure from changes in foreign currency exchange rates during the 30 June 2021 or 30 June 2020 years.

(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 (\$) |
|--------------------------|-----------------------------|-----------------------------------|------------------------------|--------------------------|
| 2021 | | | | |
| Trade and other payables | 373,203 | 373,203 | 373,203 | - |
| Loans and borrowings | 2,734,832 | 2,734,832 | 56,770 | 2,678,062 |
| | <u>3,108,035</u> | <u>3,108,035</u> | <u>429,973</u> | <u>2,678,062</u> |
| 2020 | | | | |
| Trade and other payables | 484,836 | 484,836 | 484,836 | - |
| Loans and borrowings | 2,237,779 | 2,237,779 | 135,393 | 2,102,386 |
| | <u>2,722,615</u> | <u>2,722,615</u> | <u>620,229</u> | <u>2,102,386</u> |

(d) *Commodity price risk*

The consolidated entity is not exposed to commodity price risk at 30 June 2021 or 30 June 2020.

(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:

| <i>Consolidated</i> | Carrying amount 2021 (\$) | Fair value 2021 (\$) | Carrying amount 2020 (\$) | Fair value 2020 (\$) |
|-----------------------------|----------------------------------|-----------------------------|----------------------------------|-----------------------------|
| Cash and cash equivalents | 93,313 | 93,313 | 163,840 | 163,840 |
| Other financial assets | 1,157,882 | 1,157,882 | 1,100,993 | 1,100,993 |
| Trade and other receivables | 71,872 | 71,872 | 92,455 | 92,455 |
| Loans and borrowings | (2,734,832) | (2,734,832) | (2,237,779) | (2,237,779) |
| Trade and other payables | (373,203) | (373,203) | (484,836) | (484,836) |
| | <u>(1,784,968)</u> | <u>(1,784,968)</u> | <u>(1,365,327)</u> | <u>(1,365,327)</u> |

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(t).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

16. RELATED PARTY TRANSACTIONS

Korab Resources Limited is the ultimate parent entity. Interests in subsidiaries are disclosed in Note 11 and details of key management personnel compensation is set out in Note 17. The remuneration of key management personnel is set out in the Remuneration Report on page 11. Related party payables and loans and borrowings are disclosed in Notes 9 and 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.

| | 2021 | 2020 |
|---|---------|---------|
| | \$ | \$ |
| Fees to Rheingold Investments Corporation Pty Ltd for: | | |
| - Management contract fees | 327,000 | 327,000 |
| Total fees to Rheingold Investments Corporation Pty Ltd | 327,000 | 327,000 |

During the prior period the directors and Rheingold agreed to suspend payments of the executive services fees (management contract fees) and directors' fees. The unpaid fees are being accrued. The balance of outstanding liabilities to Rheingold, Mr Karpinski and his related entities at period end for loans to the parent entity and unpaid fees is \$916,174 (2020: \$660,926) at an average interest rate of 12%. This aggregate amount consists of loans of \$600 at an interest rate of 22% (2020: \$14,026) and \$915,574 at an interest rate of 12% (2020: \$646,900). The loans and unpaid fees are not payable prior to 30 September 2022. These loans and debt become payable immediately on change of control of Korab. Mr. Karpinski has not received any directors' fees from Korab or its subsidiaries since the formation of Korab in March 1998. During the reporting period accrued directors' fees and Rheingold management contract fees were converted to loans and some of the prior year loans were repaid by Korab. Interest accrued to Rheingold, Mr. Karpinski and his related entities during the reporting period was \$87,335 (2020: \$63,910).

The balance of outstanding liabilities to Mrs. Karpinski, at period end for a loan to the parent entity is 103,882 United States Dollars (A\$139,463 at the applicable foreign exchange rate) (2020: 91,651 United States Dollars, or \$134,115 at applicable foreign exchange rate) at an interest rate of 12%. The loan is not payable prior to 30 September 2022. This loan becomes payable immediately on change of control of Korab. Interest accrued to Mrs. Karpinski during the reporting period was \$16,104 (2020: \$18,481).

The balance of outstanding liabilities to directors, excluding Mr. Karpinski and their related entities at period end for loans to the parent entity and unpaid fees is \$539,643 (2020: \$448,347) at an average interest rate of 12%. The loans and unpaid fees are not payable prior to 30 September 2022. Interest accrued to directors, excluding Mr. Karpinski and their related entities during the reporting period was \$57,196 (2020: \$46,075).

Mr Andrej Karpinski is a director and significant shareholder of Polymetallica Minerals Limited. The balance of outstanding receivables from Polymetallica Minerals Limited at period end is \$1,145,986 (2020: \$1,089,087) at an interest rate of 8.5%. The receivable is not payable prior to 30 September 2022. The balance of outstanding receivables from Polymetallica Minerals Limited consist of funds provided by the Company to pay for tenement rents and other project related costs in relation to projects where the Company and Polymetallica have, or had joint venture arrangements, and/or production sharing agreements, plus any accrued interest. These joint venture arrangements and/or production sharing agreements were established when Polymetallica was a subsidiary of the Company prior to Polymetallica being demerged (spun-off) from the Company. The Company has a registered security over all current and future assets of Polymetallica until the debt is repaid in full. During the year Polymetallica paid the Company \$35,777 (2020: \$55,390) in interest with the remaining interest of \$56,889 (2020: \$34,236) accruing.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

17. 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

Names and positions of key management personnel:

| Name | Position |
|---------------------|------------------------|
| Andrej K. Karpinski | Executive Chairman |
| Rodney H.J. Skeet | Non-Executive Director |
| Anthony G Wills | Non-Executive Director |

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

| | 2021 (\$) | 2020 (\$) |
|---------------------|------------------|------------------|
| Short term benefits | 379,000 | 392,000 |
| Post-employment | 2,470 | 3,705 |
| | <u>381,470</u> | <u>395,705</u> |

Information regarding individual directors and executives compensation is provided in the Remuneration Report. 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:

| | 2021 (\$) | 2020 (\$) |
|--------------------------|------------------|------------------|
| <i>Current</i> | | |
| Trade and other payables | 30,032 | 27,357 |
| Loans and borrowings | 56,770 | 34,900 |
| <i>Non-current</i> | | |
| Loans and borrowings | 1,538,510 | 1,208,488 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

18. COMMITMENTS

Lease commitments

The office lease, which commenced on 11 August 2013, has not been extended and now continues on a month-by-month basis.

Mining tenements

| | 2021 | 2020 |
|---|----------------|----------------|
| | \$ | \$ |
| Annual expenditure commitments to maintain current rights to tenure of mining tenements | 421,000 | 579,000 |
| Rehabilitation obligations | - | - |
| | <u>421,000</u> | <u>579,000</u> |

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 causing other parties to expend funds on exploration or mining, 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.

Mining tenements commitments by Korab Group and third parties

| | 2021 | 2020 |
|--|----------------|----------------|
| | \$ | \$ |
| Korab Group annual expenditure commitments | 421,000 | 579,000 |
| Third parties annual expenditure commitments | - | - |
| | <u>421,000</u> | <u>579,000</u> |

19. CONTINGENT LIABILITIES

Forfeiture action in respect of one of the Mt. Elephant Project tenements held by Australian Copper Holdings Pty Ltd was dismissed with no order as to costs during the reporting period.

Other than above in the opinion of the directors there were no material changes in contingent liabilities that existed as at 30 June 2020.

Key Management Personnel Contracts

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2021

20. PARENT ENTITY INFORMATION

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

| | 2021 | 2020 |
|--|------------------|------------------|
| | \$ | \$ |
| <i>Statement of Financial Position</i> | | |
| Current assets | 133,813 | 179,330 |
| Total assets | 4,110,643 | 4,321,835 |
| Current liabilities | 212,086 | 440,359 |
| Total liabilities | 2,862,328 | 2,464,819 |
| Equity | | |
| Contributed equity | 19,374,803 | 19,374,803 |
| Accumulated losses | (18,126,488) | (17,959,703) |
| | <u>1,248,315</u> | <u>1,779,100</u> |
| Loss for the year | <u>(530,785)</u> | <u>(261,140)</u> |
| Total comprehensive loss for the year | <u>(530,785)</u> | <u>(261,140)</u> |

The parent entity has not provided any financial guarantees in respect of subsidiaries, nor did it have any contingent liabilities as at 30 June 2021 or 30 June 2020.

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 causing other parties to expend funds on exploration or mining, 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.

**DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2021**

- (1) In the opinion of the directors of Korab Resources Limited:
- (a) the financial statements and notes set out on pages 15 to 40 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 2021 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
29 October 2021

INDEPENDENT AUDITOR'S REPORT

To the members of Korab Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Korab Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern*, we have determined the matters described below to be the key audit matters to be communicated in our report.

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| Key Audit Matter | How our audit addressed the key audit matter |
|--|---|
| <p>Classification of loans and borrowings (Refer to Note 10)</p> <p>The operations of the Group are typically funded through capital raisings and borrowings from related and external parties.</p> <p>As at 30 June 2021, Korab Resources Limited had a total of \$2,734,832 in relation to current and non-current borrowings representing 88% of total liabilities.</p> <p>Given the size of the loans and borrowings balance and the importance for continued operations, the accounting for the Group's borrowings is considered a key audit matter.</p> | <p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> - Obtaining confirmations from the material funders confirming borrowings, including amounts and interest rates; - Where debt was regarded as non-current, we ensured the party confirmed unconditional right to defer payment such that there were no repayments required within 12 months from the balance date; - Obtaining details of voluntary repayments of borrowings made by the entity between balance date and audit report date and classified the amount as current; and - Reviewing the contractual terms of loan agreements and minutes of Directors' meetings to ensure loans and borrowings were complete and accruing appropriate interest. |
| <p>Carrying amount of exploration and evaluation asset (Refer to Note 8)</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group capitalises exploration expenditure.</p> <p>Our audit focused on the Group's assessment of the carrying amount of capitalised exploration and evaluation as this is one of the significant assets of the Group. There is a risk that the capitalised expenditure no longer meets the recognition criteria of the standard.</p> <p>In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.</p> | <p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> - Obtaining an understanding of the key processes associated with management's review of the exploration and evaluation asset carrying values; - Considering the Director's assessment of potential indicators of impairment; - Obtaining evidence that the Group has current rights to tenure of its area of interest; - Discussion with management the nature of planned ongoing activities; - Determining whether we consider any impairment indicators under AASB 6 are present; and - Examining the disclosures made in the financial report. |
| <p>Recoverability of Polymetallica Minerals Limited (Polymetallica) loan receivable (Refer to Note 7)</p> <p>As at 30 June 2021, Korab Resources Limited had a receivable of \$1,145,986 in relation to the non-current loan to Polymetallica.</p> <p>The principal asset of Polymetallica is expenditure on areas of interest in the exploration and evaluation phase.</p> <p>We considered this to be a key audit matter due to its materiality and the significant audit effort directed towards this area.</p> | <p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> - Reviewing the security interests in place over Polymetallica's projects as security over loan repayment; - Consider the independent valuation over the relevant areas of interest of Polymetallica; - Considering the skills and experience of the independent valuer; - Ensuring Polymetallica's right to tenure are current; and - Obtaining a loan confirmation from Polymetallica. |

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's financial report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

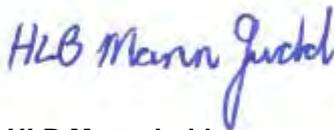
Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Korab Resources Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
29 October 2021



D I Buckley
Partner

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 has neither full time nor 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 the 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 financial 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.

CORPORATE GOVERNANCE STATEMENT (Continued)

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 four 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.

CORPORATE GOVERNANCE STATEMENT (Continued)

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 formal 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 directors are Rodney Skeet and Anthony Wills.

FEMALE EMPLOYEES

As at 30 June 2021 the parent company had no part time or full time employees.

As at 30 June 2021 the proportion of males and females employed by the Korab Group (including local and overseas subsidiaries) was as follows:

| | Male | Female | Total | % Female |
|-----------|------|--------|-------|----------|
| Directors | 3 | 0 | 3 | 0% |
| Other | 1 | 0 | 1 | 0% |
| Total | 4 | 0 | 4 | 0% |

CORPORATE GOVERNANCE STATEMENT (Continued)

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS (NOT COMPLETE)

From 1 July 2020 to 30 June 2021 (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 |
|-------------|--|--|
| 1.5 | The Company does not have a 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. |
| 2.1 | A separate Nomination Committee has not been formed. | The Board intends to appoint a Nomination Committee during the current financial year. |
| 2.2 | The Company has not set out a "skills matrix" disclosing the mix of skills that the board currently has or is looking to achieve in its membership | The Board considers that the Company is currently of a size and complexity where the setting out of "skills matrix" is not necessary to ensure that the Board is aware of the skills that the Board currently has or is looking to achieve in its membership. If the Company's activities increase in size, scope and/or nature the "skills matrix" will be set out and disclosed by the Board. |
| 2.5 | The Chairman is not an independent director and 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. |
| 4.1 | The Company does not have an Audit Committee chaired by an independent director who is not the Chair of the Board | Given the size of the Board it is necessary that all board members, including the Executive Chairman, act in the capacity of audit committee. The majority of the board consists of independent non-executive directors who are identified in the Company's Annual Report. |
| 6.3 | The Company has not adopted a policy to encourage participation at meetings of security holders | The Board considers that shareholders currently receive both the information and adequate notice to participate at meetings of security holders. |
| 7.1, 7.2 | The Company does not have a Risk Committee | The Board considers that it is of an effective composition, size, and commitment to adequately discharge its responsibilities and duties. Board meets regularly to discuss and review the risk management framework but no formal review of the risk management framework occurred during the period. |
| 7.3 | The Company does not have an internal audit function | The Board considers that the Company is not currently of a size to justify the formation of an internal audit function. The Board considers that it is of an effective composition, size, and commitment to adequately discharge its responsibilities and duties given the Company's size, complexity, and nature of operations. All members of the Board meet regularly to evaluate and continually improve the effectiveness of Company's governance, risk management, and internal control processes. If the Company's activities increase in size, scope and/or nature the internal audit function will be developed and disclosed by the Board. |
| 8.1 | The Company does not have Remuneration Committee | The Board intends to appoint a Remuneration Committee during the current financial year. |

ADDITIONAL SHAREHOLDER INFORMATION

Additional information required by the ASX Limited (“ASX”) Listing Rules as at 27 October 2021 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, | 59,734,739 | 17.97 |

DISTRIBUTION OF SHAREHOLDERS

The distribution of security holders is as follows:

| Range of holding | Shareholders | Number Of Ordinary Shares |
|------------------|--------------|---------------------------|
| 100,001 and over | 206 | 312,355,407 |
| 10,001 – 100,000 | 443 | 18,478,950 |
| 5,001 – 10,000 | 138 | 1,176,731 |
| 1,001 – 5,000 | 146 | 450,913 |
| 1 – 1,000 | 156 | 30,980 |
| Totals | 1,089 | 332,492,981 |

The number of shareholders holding less than a marketable parcel of ordinary shares is 334.

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.

SCHEDULE OF MINERAL TENEMENTS

The details of tenements and land leases held by Korab Resources Limited and controlled entities as of 30 September 2021 are as follows:

Winchester, Geolsec, and Batchelor Tenements Located in the Northern Territory

| Tenement | Registered Holder/Applicant | Status | Grant Date | Korab Group Share (%) | Expiry Date | Area (ha) | Next Annual Rent | Next Year Annual Minimum Expenditure |
|----------|-----------------------------|---------|------------|-----------------------|-------------|-----------|------------------|--------------------------------------|
| EL31341 | Korab Resources Limited | Granted | 28/11/2016 | 100% | 27/11/2022 | 6,500 | \$3,565 | \$20,000 |
| MLN512 | Korab Resources Limited | Granted | 19/04/1982 | 100% | 31/12/2023 | 16 | \$610 | N/A |
| MLN513 | Korab Resources Limited | Granted | 19/04/1982 | 100% | 31/12/2023 | 16 | \$610 | N/A |
| MLN514 | Korab Resources Limited | Granted | 19/04/1982 | 100% | 31/12/2023 | 16 | \$610 | N/A |
| MLN515 | Korab Resources Limited | Granted | 19/04/1982 | 100% | 31/12/2023 | 16 | \$610 | N/A |
| MLN542 | Korab Resources Limited | Granted | 19/04/1982 | 100% | 31/12/2023 | 15 | \$600 | N/A |
| MLN543 | Korab Resources Limited | Granted | 19/04/1982 | 100% | 31/12/2023 | 15 | \$600 | N/A |
| ML30587 | AusMag | Granted | 21/10/2015 | 100% | 20/10/2040 | 349 | \$7,992 | N/A |
| ML27362* | Geolsec Phosphate | Granted | 22/04/2010 | 100% | 21/04/2035 | 234 | \$5,200 | N/A |
| EL29550 | Korab Resources Limited | Granted | 1/08/2012 | 100% | 31/07/2022 | 17,100 | \$12,679 | \$130,000 |
| | | | | | | | \$33,076 | \$150,000 |

*Under Phosphate Rights Agreement dated July 2018 as amended by Deed of Novation and Variation dated November 2020, GTGF Australia is responsible for paying the annual tenement rent to the department of mines and the shire rates.

ADDITIONAL SHAREHOLDER INFORMATION (Continued)

SCHEDULE OF MINERAL TENEMENTS (Continued)

Mount Elephant Tenements Located in Western Australia

| Tenement | Registered Holder/Applicant | Status | Grant Date | Korab Group Share (%) | Expiry Date | Area (Blks) | Next Annual Rent | Next Year Annual Minimum Expenditure |
|------------|-----------------------------|-------------|------------|-----------------------|-------------|-------------|------------------|--------------------------------------|
| E 08/2757 | Australian Copper | Granted | 23/02/2017 | 100% | 22/02/2022 | 5 | \$1,790 | \$20,000 |
| E 52/2724 | Australian Copper Holdings | Granted | 18/07/2013 | 100% | 17/07/2023 | 42 | \$28,434 | \$126,000 |
| E 08/2307 | Australian Copper Holdings | Granted | 23/08/2013 | 100% | 22/08/2023 | 25 | \$16,925 | \$75,000 |
| E 08/2756* | Australian Copper | Granted | 9/09/2016 | 100% | 8/09/2021* | 16 | \$5,728 | \$50,000 |
| E 08/3264 | Korab Resources Limited | application | n/a | 100% | n/a | 134 | n/a | n/a |
| E 52/3872 | Korab Resources Limited | application | n/a | 100% | n/a | 104 | n/a | n/a |
| E 08/3302 | Korab Resources Limited | application | n/a | 100% | n/a | 22 | n/a | n/a |
| | | | | | | 348 | \$52,877 | \$271,000 |

* Application to renew for 5 year period has been submitted to Department of Mines, Industry Regulation and Safety.

Bobrikovo Tenements Located in the Luhansk Region in Eastern Ukraine

| Tenement | Registered Holder/Applicant | Status | Grant Date | Korab Group Share | Expiry Date | Area | Next Year Annual Rent | Next Year Annual Minimum Expenditure |
|------------|-----------------------------|---------|------------|-------------------|-------------|------|-----------------------|--------------------------------------|
| BKB169 | LLC "Donetsky Kryazh" | Granted | 30/10/2007 | 100% | 30/10/2037 | 25ha | N/A | N/A |
| 4420381100 | LLC "Donetsky Kryazh" | Granted | 29/07/2009 | 100% | 17/07/2018* | 8ha | N/A | N/A |
| 1589 | LLC "Donetsky Kryazh" | Granted | 29/07/2009 | 100% | 17/06/2018* | 13ha | N/A | N/A |
| 2730 | LLC "Donetsky Kryazh" | Granted | 17/06/2002 | 100% | 17/06/2018* | 12ha | N/A | N/A |

*On 24 September 2019, the Company reported that it has received notification that on the basis of the Presidential Executive Order/Decree, all exploration licences, mining permits, and leases held by LLC "Donetsky Kryazh" whose term would have otherwise expired, have been prolonged until the end of the hostilities in the Luhansk region.

The consolidated entity has obligations to perform minimum exploration work and to meet annual payments in respect of rent on 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 causing other parties to expend funds on exploration or mining, 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.

On 25 July 2018, the Company reported that it has leased the Geolsec project (ML27362) to third party, with the lessee taking on the responsibility for the payments of rent, expenditure commitments, and shire rates.

On 25 July 2018, the Company reported that it has granted to third parties an option to acquire the Mt. Elephant project (E08/2757, E52/2724, E08/2307, E08/2756, E08/2115). On 21 June 2020 the option expired. Under the agreement, third parties are responsible for the rents, shire rates, and the expenditure commitments of the mining tenements forming Mt. Elephant project incurred up to and including the expiry date of the option.

ON-MARKET BUYBACK

There is no current on-market buyback.

ADDITIONAL SHAREHOLDER INFORMATION (Continued)

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest shareholders are as follows:

| Rank | Name | 27 October 2021 | % IC |
|------|---|--------------------|---------------|
| 1 | RHEINGOLD INVESTMENTS CORPORATION PTY LTD | 50,000,000 | 15.04 |
| 2 | CUSTODIAL SERVICES LIMITED | 23,070,204 | 6.94 |
| 3 | RIADIS HOLDINGS PTY LTD | 22,200,000 | 6.68 |
| 4 | OSMOSIS HOLDINGS PTY LTD | 20,450,000 | 6.15 |
| 5 | COMSEC NOMINEES PTY LIMITED | 13,349,904 | 4.02 |
| 6 | CHANCERY HOLDINGS PTY LTD | 12,137,320 | 3.65 |
| 7 | RHEINGOLD INVESTMENTS CORPORATION PTY LTD | 8,502,576 | 2.56 |
| 8 | VECTOR NOMINEES PTY LTD | 7,888,889 | 2.37 |
| 9 | SERGIY ANTONENKO | 7,500,000 | 2.26 |
| 10 | SCOTT GILCHRIST | 7,000,000 | 2.11 |
| 11 | SELWYN BRUCE HATRICK | 6,700,152 | 2.02 |
| 12 | LJM ENTERPRISES (WA) PTY LTD | 6,100,000 | 1.83 |
| 13 | MR HONG WANG | 5,415,396 | 1.63 |
| 14 | MR GARY WILLIAM LITTLE | 5,387,532 | 1.62 |
| 15 | MR JIHAD MALAEB | 4,600,000 | 1.38 |
| 16 | MR XI YU ZHANG | 4,410,000 | 1.33 |
| 17 | MR ANDREW GORDON MCCREA | 4,360,063 | 1.31 |
| 18 | MR PETER MAC GARWOOD | 4,297,177 | 1.29 |
| 19 | MR CRAIG ANDREW JOHNSON | 4,275,000 | 1.29 |
| 20 | LJM CAPITAL CORPORATION PTY LTD | 4,000,000 | 1.20 |
| | | 221,644,213 | 66.66 |
| | | 110,848,768 | 33.34 |
| | | 332,492,981 | 100.00 |

ADDITIONAL SHAREHOLDER INFORMATION (Continued)

MINERAL RESOURCE ESTIMATES

Korab Resources Ltd holds two projects where mineral resources have been estimated: Winchester Project and Bobrikovo Project. Korab reviews its mineral resources annually utilising outside consultants, who have 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 they are undertaking and which is sufficient to qualify them as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Winchester Deposit within the Winchester Project in the Northern Territory

Current estimate of mineral resource at Winchester is shown in the following table:

| At 40% MgO Cut-Off | Mass | MgO grade | MgO Mass |
|---------------------------|--------------------|------------------|--------------------|
| | '000 Tonnes | % | '000 Tonnes |
| Indicated | 12,200 | 43.1 | 5,258 |
| Inferred | 4,400 | 43.6 | 1,918 |
| Total | 16,600 | 43.2 | 7,177 |

There has been no change to the Winchester mineral resource estimate since previous year.

The Competent Person is not aware of any new information or data that materially affects the information included in the Company's ASX Release - "Acquisition Of The Rum Jungle/Batchelor Project In Northern Territory" on 16 July 2007 and, in the case of mineral resources that all the material assumptions and technical parameters underpinning the estimates in the report released on 16 July 2007 continue to apply and have not materially changed. The form and context in which the findings of the report released on 16 July 2007 are presented have not been materially modified. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Winchester project consists of Mineral Lease ML30587 (100% AusMag Pty Ltd, a wholly owned subsidiary of Korab Resources Ltd). The project is located near town of Batchelor, some 70 km south of Darwin in the Northern Territory. The Company is confident that there are reasonable prospects for eventual economic extraction of the mineral resource.

Competent Person Statement

The information in this Annual Report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by the Company and reviewed by Malcolm Castle, a competent person who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Malcolm Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd. Mr Castle has sufficient experience that is relevant to the style of mineralization and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Malcolm Castle consents to the inclusion in this Annual Report of the matters based on his information in the form and context in which it appears.

Bobrikovo Deposit in Ukraine

Current estimate of gold and silver mineral resource at Bobrikovo is shown in the following tables:

CURRENT GOLD MINERAL RESOURCE AT BOBRIKOVO PROJECT (ABOVE 0.5 G/T AU CUT-OFF GRADE)

| At 0.5g/t Au Cut-Off | Mass | Au grade | Au Mass |
|-----------------------------|--------------------|-----------------|--------------------|
| | '000 Tonnes | g/t | '000 Ounces |
| Measured | 2,317 | 1.6 | 121 |
| Indicated | 5,194 | 1.4 | 229 |
| Inferred | 98,404 | 0.9 | 2,953 |
| Total | 105,916 | 1.0 | 3,303 |

Totals may differ due to rounding

ADDITIONAL SHAREHOLDER INFORMATION (Continued)

MINERAL RESOURCE ESTIMATES (Continued)

CURRENT SILVER MINERAL RESOURCE AT BOBRIKOVO PROJECT (ABOVE 5 G/T AG CUT-OFF GRADE)

| At 5g/t Ag Cut-Off | Mass | Ag grade | Ag Mass |
|---------------------------|--------------------|-----------------|--------------------|
| | '000 Tonnes | g/t | '000 Ounces |
| Measured | 2,090 | 14.0 | 937 |
| Indicated | 5,529 | 13.9 | 2,467 |
| Inferred | 46,533 | 8.6 | 12,869 |
| Total | 54,152 | 9.4 | 16,274 |

Totals may differ due to rounding

There has been no change to the Bobrikovo mineral resource estimate since previous year.

The Bobrikovo Mineral Resource was first disclosed on 16 July 2013 and is based on information compiled and reviewed by Andrew Hawker, who is a principal geological consultant for HGS Australia Exploration Services.

The Competent Person is not aware of any new information or data that materially affects the information first included in the Company's ASX Release – "JORC Resource At Bobrikovo Estimated At 3.3 Million Oz. Au And 16.3 Million Oz. Ag" on 16 July 2013 and, in the case of mineral resources that all the material assumptions and technical parameters underpinning the estimates in the report released on 16 July 2013 continue to apply and have not materially changed. The form and context in which the findings of the report released on 16 July 2013 are presented have not been materially modified. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Bobrikovo project consists of tenements and land leases BKB169, 646545, 2730, 4101 (100% LLc "Donetsky Kryazh", a wholly owned subsidiary) and is located 70km south of Luhansk in Ukraine.

Bobrikovo Project is located in eastern part of Ukraine in the Donbas region. This project has been written-off in full at the consolidation level in Financial Report covering period ending 30 June 2014. For expiry dates of the tenements forming this project and relevant comments regarding extension of term please refer to the Schedule of Mineral Tenements on page 51. The Company is confident that there are reasonable prospects for eventual economic extraction of the mineral resource.

Competent Person Statement

The information in this Annual Report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by the Company and reviewed by Malcolm Castle, a competent person who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Malcolm Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd. Mr Castle has sufficient experience that is relevant to the style of mineralization and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Malcolm Castle consents to the inclusion in this Annual Report of the matters based on his information in the form and context in which it appears.