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KORAB RESOURCES LIMITED

ABN 17 082 140 252

**INTERIM FINANCIAL REPORT
31 DECEMBER 2016**

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DIRECTORS' REPORT

Your directors submit the financial report for Korab Resources Limited ("Korab") and its subsidiaries ("consolidated entity" or "group") for the half-year ended 31 December 2016.

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

Directors

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

Andrej K. Karpinski	Executive Chairman
Daniel A. Smetana	Non-Executive Director
Rodney H.J. Skeet	Non-Executive Director
Anthony G Wills	Non-Executive Director

Review of Operations

During the half-year to 31 December 2016 Korab has continued exploration and evaluation of the Group's projects, with a particular focus on the Winchester magnesium carbonate deposit, and the adjoining Bachelor Polymetallic project.

During the prior reporting period, on 23 March 2016 Company announced that itself and its wholly owned subsidiary AusMag Pty Ltd ("AusMag") Korab and AusMag entered into an agreement with Mr. Hong Wang who represents interests associated with the Chinese steel industry to arrange for an investment of \$6 million into new shares of AusMag to develop Winchester magnesium carbonate mine. The development cost of the Winchester magnesium carbonate mine has been estimated at \$4 million with the remaining \$2 million to be used for mine working capital and other project and development related expenditure. During the reporting period the Group progressed the documentation for this funding. The Group also continued the work on additional offtake agreements for the output from the proposed mine at Winchester.

On 24 August 2016 Korab reported that it has commenced a review of the zinc, lead and silver potential of the Bachelor project located in the Rum Jungle Mineral Field south of Darwin.

During the reporting period, the phosphate rock market experienced a significant slowdown of the growth in demand leading to oversupply. The Group has been receiving expressions of interest and confirmations of intent from phosphate rock users to buy phosphate rock, however none of these have converted to firm purchase agreements. On 8 September 2016 Korab announced that the Geolsec project has been put under review to evaluate various options available to the Group with the view to generating income from the Geolsec project while reducing this project's funding requirements.

On 11 September 2016 Korab reported that it has resumed control and ownership of the Ashburton Downs project following the forfeiture of MRDC's equity in this project. Korab Group continued exploration of this project however no material results were generated.

On 19 October 2016 Korab reported that it commenced exploration for lithium at the Bachelor project following the discovery of lithium mineralisation on neighbouring tenements by other explorers.

On 23 November 2016 Korab announced results of the review of historical exploration data for the Bachelor project, which has shown that the project contains high grade zinc, lead and silver drill intercepts in historical drilling as well as broad spaced geochemical surface anomalies indicating further potential for zinc lead and silver mineralisation.

Following the end of the reporting period, on 10 February 2017 Korab announced the results of the review of historical exploration data for the Bachelor project focusing on cobalt, copper, nickel and gold. This review has shown that the project contains several high grade cobalt, copper and gold drill intercepts as well as broad spaced geochemical surface anomalies indicating potential for additional cobbled mineralisation.

The Bobrikovo gold and silver mine which is located in eastern Ukraine, is currently on care and maintenance while Korab has engaged with various stakeholders with the view to recommencing operations.

DIRECTORS' REPORT (continued)**Corporate**

The Company reported a consolidated loss after taxation for the period of \$283,643 (2015: loss of \$767,657), primarily relating to corporate compliance and administration costs of \$381,255 (2015: \$364,432).

Between 22 July 2016 and 26 July 2016 the Company issued 2,257,461 fully paid ordinary shares at an issue price of \$0.05 per share to Mr. Wang under agreement under which Mr. Wang was to subscribe for 10,000,000 Korab shares at 5 cent each which was entered into during the previous reporting period. On 30 August 2016 the Company issued 3,157,935 fully paid ordinary shares at an issue price of \$0.05 per share to Mr. Wang under this agreement. On 6 September 2016 Korab agreed to extend to 31 October 2016 the time for payment of the last tranche of the funds due under the placement and amend the placement price to the higher of (i) a 20% discount to a volume weighted average share price of the Company's shares calculated over five days on which the shares have traded on the Australian Securities Exchange (ASX) immediately preceding the receipt of the last tranche of the funds by Korab, or (ii) 4 cents per share. The time for payment of the remaining tranche of the funds due under the placement was subsequently extended to 30 November 2016, then 10 January 2017, then 28 February 2017, and then 20 March 2017.

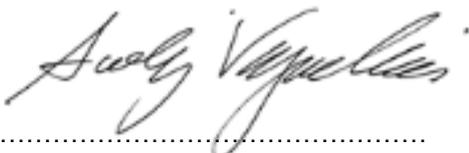
On 31 December 2016 the Company issued 5,150,000 fully paid ordinary shares for cash at \$0.015 per share, for general working capital purposes.

Events subsequent to the reporting date are disclosed in Note 8 on page 11.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 3 and forms part of this directors' report for the half-year ended 31 December 2016.

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



.....
Andrej K. Karpinski
Executive Chairman
15 March 2017



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Korab Resources Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia
15 March 2017

A handwritten signature in blue ink, appearing to read 'M R W Ohm'.

M R W Ohm
Partner

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
Interest income	40,294	37,974
Other income	43,361	-
Impairment expense	-	(476,633)
Foreign exchange loss	(2,449)	-
Finance expense	(105,522)	(48,239)
Depreciation and amortisation	(2,785)	(3,079)
Corporate compliance and administration	(381,255)	(364,432)
Occupancy costs	(23,338)	(20,721)
Contractor expenses capitalised	152,120	109,480
Conference, travel and public relations	(4,069)	(2,007)
Loss before income tax	(283,643)	(767,657)
Income tax expense	-	-
Loss for the half-year	(283,643)	(767,657)
Other comprehensive income for the half-year net of income tax		
<i>Items that may be reclassified to profit or loss</i>		
Exchange difference on translation of foreign operations	554	418
Total comprehensive loss for the half-year	(283,089)	(767,239)
Basic and diluted loss per share (cents per share)	(0.13)	(0.40)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Consolidated	
		31 December	30 June
		2016	2016
	Note	\$	\$
	s		
Current assets			
Cash and cash equivalents		113,238	45,125
Trade and other receivables		60,248	38,543
Total current assets		<u>173,486</u>	<u>83,668</u>
Non-current assets			
Trade and other receivables		949,411	922,734
Exploration and evaluation	2	2,080,394	1,846,461
Property, plant and equipment		-	2,785
Total non-current assets		<u>3,029,805</u>	<u>2,771,980</u>
Total assets		<u>3,203,291</u>	<u>2,855,648</u>
Current liabilities			
Trade and other payables		478,441	359,228
Loans and other borrowings		152,891	272,163
Total current liabilities		<u>631,332</u>	<u>631,391</u>
Non-current liabilities			
Trade and other payables		-	42,067
Loans and borrowings		1,548,055	1,223,217
Total non-current liabilities		<u>1,548,055</u>	<u>1,265,284</u>
Total liabilities		<u>2,179,387</u>	<u>1,896,675</u>
Net assets		<u>1,023,904</u>	<u>958,973</u>
Equity			
Contributed equity	4	17,001,515	16,653,495
Foreign currency translation reserve		(996,811)	(997,365)
Option reserve		4,000	4,000
Non-controlling interest contribution reserve		(1,036,227)	(1,036,227)
Accumulated losses		(13,948,573)	(13,664,930)
Total equity		<u>1,023,904</u>	<u>958,973</u>

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Contributed Equity	Foreign Currency Translation Reserve	Non- controlling Interest Contribution Reserve	Option Reserve	Accumulated Losses	Total Equity
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	15,671,122	(997,784)	(1,036,227)	4,000	(12,557,668)	1,083,443
Loss for the period	-	-	-	-	(767,657)	(767,657)
Exchange differences arising on translation of foreign operations	-	418	-	-	-	418
Total comprehensive loss for the period	-	418	-	-	(767,657)	(767,239)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued for cash	497,000	-	-	-	-	497,000
Share based payments	77,000	-	-	-	-	77,000
Balance at 31 December 2015	16,245,122	(997,366)	(1,036,227)	4,000	(13,325,325)	890,204
Balance at 1 July 2016	16,653,495	(997,365)	(1,036,227)	4,000	(13,664,930)	958,973
Loss for the period	-	-	-	-	(283,643)	(283,643)
Exchange differences arising on translation of foreign operations	-	554	-	-	-	554
Total comprehensive loss for the period	-	554	-	-	(283,643)	(283,089)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued for cash	348,020	-	-	-	-	348,020
Balance at 31 December 2016	17,001,515	(996,811)	(1,036,227)	4,000	(13,948,573)	1,023,904

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(95,522)	(266,070)
Interest received	873	4,167
Interest paid	(18,427)	(2,245)
Net cash flows (used in) operating activities	<u>(113,076)</u>	<u>(264,148)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	-	(100)
Exploration and evaluation expenditure	(52,843)	(206,702)
Net cash flows (used in) investing activities	<u>(52,843)</u>	<u>(206,802)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	348,020	497,000
Proceeds from borrowings	99,900	422,095
Repayment of advances	12,745	-
Repayments of borrowings	(226,633)	(414,401)
Net cash flows from financing activities	<u>234,032</u>	<u>504,694</u>
Net increase in cash and cash equivalents	68,113	33,744
Cash and cash equivalents at the beginning of the half- year	<u>45,125</u>	<u>222,614</u>
Cash and cash equivalents at the end of the half-year	<u>113,238</u>	<u>256,358</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****Statement of compliance**

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Korab Resources Limited and its subsidiaries during or since the end of the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

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

Basis of preparation

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

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

Significant accounting judgments and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2016.

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 \$457,846 and net cash outflows from operations for the period of \$113,076. 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2016, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the group operations and effective for annual reporting periods beginning on or after 1 July 2016. It has been determined by the directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the group and, therefore, no change is necessary to group accounting policies. The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. As a result of this review the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the group and, therefore, no change necessary to group accounting policies.

NOTE 2: EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	6 months ended 31 December 2015 \$	12 months ended 30 June 2016 \$
<i>Areas of interest in the exploration and evaluation phase:</i>		
Cost at beginning of the period	1,846,461	1,854,299
Capitalised contractor expenses	152,120	218,960
Other expenditure capitalised during the period	81,813	249,835
Cost at end of the period	2,080,394	2,323,094
Impairment	-	(476,633)
Carrying amount at the end of the period	<u>2,080,394</u>	<u>1,846,461</u>

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.

NOTE 3: OPTIONS

	Consolidated	
	6 months ended 31 December 2016 Number	12 months ended 30 June 2016 Number
<i>Movements in options over ordinary shares on issue</i>		
Balance at beginning of period	4,000,000	5,100,000
Expiry of options, exercise price \$0.10 per option, expiry 30/06/16	-	(1,100,000)
Balance at end of period	<u>4,000,000</u>	<u>4,000,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

NOTE 4: CONTRIBUTED EQUITY

	Consolidated			
	6 months ended 31 December 2016		12 months ended 30 June 2016	
	Number	\$	Number	\$
<i>Movements in ordinary shares on issue</i>				
Balance at beginning of period	208,072,358	16,653,495	178,623,725	15,671,122
Issue of shares for cash	10,565,396	348,020	20,988,889	696,000
Issue of shares in extinguishment of borrowings	-	-	6,411,151	168,937
Issue of shares in payment of professional services	-	-	2,048,593	117,436
Balance at end of period	<u>218,637,754</u>	<u>17,001,515</u>	<u>208,072,358</u>	<u>16,653,495</u>

NOTE 5: CONTINGENT LIABILITIES

In the opinion of the directors there were no material changes in contingent liabilities that existed as at 31 December 2016.

NOTE 6: RELATED PARTY TRANSACTIONS

Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
Non-executive directors' fees paid	-	-
Non-executive directors' fees accrued	39,000	39,000
Non-executive directors' fees paid and payable	<u>39,000</u>	<u>39,000</u>
Management contract fees paid	-	-
Management contract fees accrued	163,500	163,500
Management contract fees paid and payable	<u>163,500</u>	<u>163,500</u>

Condensed Statement of Financial Position

Mr Andrej Karpinski is a director and controlling shareholder of Rheingold Investments Corporation Pty Ltd ("Rheingold"). For the half-year ended 31 December 2016, Directors suspended payments of the directors' fees payable to non-executive directors and management contract fees payable to Rheingold Investments Corporation Pty Ltd (entity controlled by Andrej K. Karpinski). The directors' fees payable to non-executive directors and the contract management fees payable to Rheingold Investments Corporation Pty Ltd were accrued. Andrej K. Karpinski has not received any director's fees since formation of the Company. The balance of outstanding liabilities to Rheingold, Mr Karpinski and his related entities at period end for loans and unpaid fees is \$787,365 (30 June 2016: \$672,730) accruing various interest with an average rate of 13%. The loans and unpaid fees are not payable prior to 31 March 2018. These loans and debt become payable immediately upon change of control of Korab Resources Ltd.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016****NOTE 7: SEGMENT REPORTING**

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

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

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

On 4 January 2017 the Company issued 215,866 fully paid ordinary shares for cash at \$0.015 per share, for general working capital purposes.

On 18 January 2017 the Company extended the time for payment of the remaining tranche of the funds due under the placement to Mr. Wang noted in the Corporate section of the Directors' Report to 28 February 2017, and on 28 February 2017 it was announced that the time for payment had been further extended to 20 March 2017.

On 19 January 2017 the Company issued 6,937,831 fully paid ordinary shares for cash at \$0.013 per share, for general working capital purposes.

On 8 March 2017 the Company announced that it had resolved to undertake a financing transaction to enable fast-tracking of the cobalt and zinc drilling program at the Company's Batchelor project. The funding is by way of a \$471,000, unsecured, zero-interest loan which, subject to shareholder approval, will convert to Korab's ordinary shares at a price of 1.9 cents per share. The Company intends to shortly call an Extraordinary General Meeting ("EGM") to approve conversion of this loan. If shareholder approval for the conversion of the loan is not received by 30 April 2017, the loan will be repayable in cash within 3 business days. If shareholder approval is received, the shares are to be issued within 3 business days thereafter. The Company is also planning to undertake a pro-rata entitlement offer to all eligible Korab shareholders at the same price of 1.9 cent per share and at a ratio of 1 new share for every 6 shares held on a future record date.

No other matter or circumstance has arisen since 31 December 2016 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years the Group's operations, the results of those operations, or the Group's state of affairs.

NOTE 9: FINANCIAL INSTRUMENTS

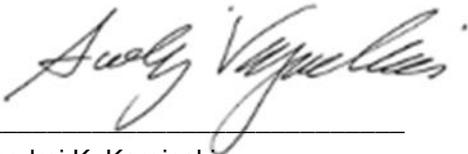
The directors consider that the carrying value of financial assets and financial liabilities approximates their fair value.

DIRECTORS' DECLARATION

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

1. The attached financial statements and notes thereto as set out on pages 4 to 11 are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year then ended.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Andrej K. Karpinski
Executive Chairman

15 March 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Korab Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Korab Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Basis for qualified conclusion

Included in the Group's non-current trade and other receivables as at 31 December 2016 is a loan to Polymetallica Minerals Limited ("Polymetallica") of \$949,411. Polymetallica is a company whose principal asset is expenditure on areas of interest in the exploration and evaluation phase. The directors of Korab Resources Limited have advised us that, in their opinion, the loan is fully recoverable based upon the value of the principal assets held by Polymetallica or the ability of Polymetallica to raise additional capital. We were unable to obtain sufficient appropriate audit evidence regarding the fair value of Polymetallica's areas of interest or ability to raise additional capital, in order to form a conclusion as to the recoverability of the loan. Consequently, we are unable to determine whether any impairment of this loan is necessary.

Qualified conclusion

Based on our review, which is not an audit, except for the possible effects of the matter described in the basis for qualified conclusion paragraph above, we have not become aware of any matter that makes us believe that the half-year financial report of Korab Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without further modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the Group will need to seek additional funding in the coming year to meet its operating expenditure and planned exploration expenditure. Should the Group be unable to raise sufficient funding, there is a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
15 March 2017

A handwritten signature in blue ink, appearing to read 'M R W Ohm'.

M R W Ohm
Partner