



**KORAB RESOURCES LIMITED**  
AND CONTROLLED ENTITIES

ABN 17 082 140 252

**ANNUAL REPORT**

FOR THE YEAR ENDED 30 JUNE 2009



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CORPORATE DIRECTORY

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**DIRECTORS**

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

**COMPANY SECRETARY**

Mr Andrej Karpinski

**REGISTERED & PRINCIPAL OFFICE**

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**AUDITORS**

Cormac Sharkey & Co  
1<sup>st</sup> Floor, 216 Stirling Highway  
Claremont, Western Australia 6010

**SHARE REGISTRAR**

Advanced Share Registry Services  
150 Stirling Highway  
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Nedlands, Western Australia 6909  
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**STOCK EXCHANGE LISTING**

Australian Securities Exchange Limited  
(Home Exchange: Perth, Western Australia)  
Code: KOR



DIRECTORS' REPORT (Continued)

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The directors of Korab Resources Limited submit herewith the Annual Report of the company and its controlled entities for the financial year ended 30 June 2009. 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 year:

Andrej K. Karpinski (Executive Chairman)

Malcolm J. McKenzie (Non-Executive Director) – appointed 12 February 2009

Rodney H.J. Skeet (Non-Executive Director)

Steve Maccora (Non-Executive Director) – appointed 30 November 2008, resigned 24 February 2009

Derek Lenartowicz (Non-Executive Director) – resigned 1 December 2008

Daniel Smetana (Alternate Director to Malcolm J. McKenzie) – appointed for a fixed term from 4 September 2009 to 30 September 2009

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

The following person has held the position of company secretary during or at the end of the financial year:

Andrej K. Karpinski

PRINCIPAL ACTIVITIES

The principal activity of the economic entity during the year was evaluation and development of mineral properties, together with mineral exploration.

There were no significant changes in the nature of the Entity's principal activities during the financial year.

OPERATING RESULTS

The loss (2008: loss) of the Group after providing for income tax and eliminating minority equity interests amounted to \$1,304,390 (2008: \$1,106,909).

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.



DIRECTORS' REPORT (Continued)

REVIEW OF OPERATIONS

**SUMMARY**

During the year to 30 June 2009 Korab Resources has continued work on the development of its mining and quarrying assets in Australia and in Ukraine and conducted exploration for phosphates, gold, base metals, nickel, iron ore, lithium and rare earths in Australia.

In October 2008, to preserve funds during the financial crisis which was at that time affecting the markets the Directors have agreed to indefinitely suspend payments of all directors fees payable to Non-executive Directors and all executive fees (management contract fees) payable to Rheingold Investments Corporation Pty Ltd. Mr. Karpinski who is the Executive Chairman of Korab Resources is a controlling shareholder and director of Rheingold. At the date of this report this temporary arrangement is still in force. In addition, Directors and Rheingold have provided substantial loans to the Company. Details of these loans are disclosed elsewhere in this Annual Report.

Notwithstanding the measures which were taken to preserve the working capital, Korab continued its progress towards becoming cashflow positive.

As part of this work, Korab has completed revisions to the definitive feasibility study for the Bobrikovo gold and silver project in eastern Ukraine and commenced development of the deposit with the aim of starting the production in 2010.

Recently, Korab has received approaches from broker/dealers and investment banks with regard to spinning-off Bobrikovo gold project into a separate entity listed in Australia, UK and Canada. A separate fund raising tied to the Bobrikovo gold mine would enable the Company to take better advantage of the current strong gold price by fast tracking the expansion of gold production at Bobrikovo to an annual rate of around 60,000 ounces of gold without diluting shareholder's interest in other Korab projects which can be internally funded. A multiple listing in Australia, UK and Canada would also ensure that the capitalisation of the new listed entity holding the Bobrikovo project more adequately reflects the value of this substantial gold asset and consequently generates better return for Korab shareholders.

Although at the date of this report no decision has been made regarding this plan, in anticipation of the possible spin-off, Korab has commissioned a well know EU based geological consulting firm to produce a JORC code compliant resource statement for this project. Korab expects that this independent geologist report will be completed within the next 3 months. If the company proceeds with the spin-off option, subject to regulatory, ASX and shareholder approvals, Korab shareholders would receive between 1 and 1.2 free shares in the new listed entity for each Korab share. More information about this project is provided further in this report.

In addition to the work on the Bobrikovo gold and silver mine, Korab has also completed the scoping study for the development of the GeolSec rock phosphate organic fertiliser business near Darwin in the Northern Territory and commenced the permitting process to develop the project. The company is aiming to commence the production and sales of organic phosphate fertiliser in 2010. More information on the GeolSec phosphate business is provided further in this report.

Subsequent to the end of the 2009 Financial Year, Korab has commenced the work on the Melrose gold project near Leinster in Western Australia with the aim of starting gold production in 2011. Korab has received offers, proposals and expressions of interest from third parties to jointly develop the project. Under the terms of the proposals, Korab would be free carried to production while retaining 50% equity in the project. The proposals are being evaluated and no decision has been made as of the date of this report. Melrose gold project has a 306,000 ounce JORC code compliant resource base as shown in the following table.

Table 1. Melrose Project Mineral Resource (above 0.5g/t cut-off)

RESOURCE/DEPOSIT	TONS	GRADE G/T AU	OUNCES GOLD
Measured Resource			
Boundary	684,000	1.36	30,000
Indicated Resource			
Boundary	3,024,000	1.31	127,000
Inferred Resource			
Boundary	900,000	1.56	45,000
Bungarra	1,655,000	1.64	87,000
Stirling	404,000	1.31	17,000
<b>TOTAL RESOURCE</b>	<b>6,667,000</b>	<b>1.43</b>	<b>306,000</b>

Additional step-out drilling confirmed independent assessment that additional gold mineralisation extends below the deposits and along strike with multiple high grade intercepts of up to 211 g/t gold. More information regarding this project is provided further in this report.



**DIRECTORS' REPORT (Continued)****BOBRIKOVO GOLD PROJECT IN UKRAINE**

As announced to the market on 19 August 2009, the results of the revised feasibility study indicate a very profitable, robust project with low start-up and operating costs and high profit margin. The base case assumes gold spot price at US\$900/oz, head grade of 4.18 g/t Au, recovery rate to concentrate of 70%, gold concentrate selling price equal to the 65% of the value of gold contained in the concentrate at spot price and the exchange rate of 7.70 Ukrainian Hryvnia (UAH) to 1 US\$. The mining cost of rock (includes high grade, low grade and waste) is assumed to be UAH29/t, the mining cost of processed ore with head grade of 4.18g/t Au (a blend of high grade and low grade ores) is assumed to be UAH129/t, the processing cost is assumed to be UAH39/t of processed ore, overheads are assumed to be UAH13/t of processed ore.

If Korab does not proceed with the spin-off option, the project will be developed in 2 stages. Stage 1 calls for the development of the top section of the oxide ore using a small gravity circuit targeting 15,300 ounces for a pre-tax profit of US\$4.7 million for 2011-2012. The estimated operating costs including mining, processing and overheads would be US\$280/oz. Korab's share of this targeted profit would be US\$3.36 million. Assuming an exchange rate of US\$/AU\$ 0.83, this would equate to a pre-tax profit of AU\$4 million attributable to Korab.

The ore storage pad and the site for the processing plant have been sited just few hundred meters from the pit to minimise the haulage costs. It is planned that mining operations would utilise scrapers for low grade ores and truck and shovel for high grade ores to achieve high efficiency and low operating costs. The optimum head grade of 4.18 g/t Au would be achieved by blending the high grade ore grading 7.2 g/t Au with a low grade ore grading 0.87 g/t Au. Initially, this blend grading 4.18 g/t would be stockpiled until the Stage 1 gravity processing circuit has been built and commissioned. The remaining ore and the waste from the Stage 1 gravity circuit would be stockpiled for later processing.

The Stage 1 processing circuit would use simple method of gold extraction relying on gravity tables. This method has shown recovery rate of 63% - 76% of contained gold to concentrate in bulk tests completed on high grade ores. Stage 2 circuit has shown recovery rates around 90%.

Korab plans to re-commence mining of ores in 2009 at a rate of 100,000 per month, while processing of gold to concentrate is scheduled to commence in late 2010 or early 2011<sup>1</sup>. The Stage 1 processing plant will have the capacity to process 120,000 tonnes per annum and would initially process blended ore with an average grade of 4.18 g/t from the oxide zone (surface to 35m). Gold production in 2011-2012 is budgeted at 15,300 ounces of gold in concentrate. It is planned that the revenue from this initial phase of project operation would be used to either upgrade Stage 1 circuit from 120K tpa to 300K tpa, or to build a Stage 2 processing circuit which would have the processing capacity of up to 600K tpa and recovery rates around 90%-95%.

The oxidised zone of the Bobrikovo deposit begins at the surface and extends down to 35m. Sulphide gold mineralisation starts at 35 m depth and continues to a depth of 3,200m. Veins are easily recognizable and suitable for selective extraction.

**METALLURGY TEST RESULTS**

Independent test work by accredited laboratories has shown good recovery of gold from both primary and oxide ores using variety of methods including gravity, cyanidation and heap leach. This will allow Korab to consider a number of processing options which in the future can be combined or modified to improve the recovery depending on the available funding.

**RESULTS OF PROCESS TESTS**

1. Hydrocyclone extraction; yield 72-79%
2. Gravitational extraction; yield 62%, hydrometallurgy with autoclave leaching; yield 97-98%
3. Gravitational concentrate; yield 46-81% (average 60%) tail cyanidation; yield 90%. Total extraction after gravitation and cyanidation; yield 94-98%
4. Cyanide leaching of test sample of 10k tons of ore. 40kg of Au was extracted. Extraction yield: 92%
5. Heap leaching; yield 92%
6. Concentrate obtained by KNELSON thickener; mixed ores yield 77%, Au content 473g/t
7. Gravity table; yield 63-76%
8. Concentrate obtained by KNELSON thickener; yield: low grade ores 40-50%, high grade ores 90%. Combined gravitational-cyanidation; yield 90-95%

**BACKGROUND OF THE BOBRIKOVO GOLD PROJECT**

Korab commenced development of the Bobrikovo gold mine in June 2008 through Korab's 74% owned subsidiary Donetsky Kryazh Ltd (DKL) which is controlled by Korab's Australian subsidiary Lugansk Gold Ltd. The remaining 26% interest in DKL, is held by Ukrainian investors. DKL is registered under Ukrainian laws and is subject to local corporate tax at a rate of 25%. All funding requirements for DKL's Bobrikovo gold mine are provided by Korab through Lugansk Gold Ltd. Loans provided by Korab will be repaid from project's pre-tax cash flows. Ukraine has no restrictions on repatriation of capital or profits and is a major investment destination for European Union's institutional investors.

<sup>1</sup> Subject to funding



DIRECTORS' REPORT (Continued)

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Bobrikovo mine is located in Eastern Ukraine in the Lugansk Region within Nagolny Ridge. Nagolny Ridge is part of a large intra-continental Phanerozoic structure that extends from southern Europe extending east to Central Asia which hosts several world-class gold mining operations including Muruntau, Vysokovoltnoe, and Bakirchic. The tenor and style of mineralisation at Bobrikovo is similar to 170 million ounce gold deposit at Muruntau in Uzbekistan and to 57 million ounce Sukhoi Log deposit in Russia. Other deposit analogues to Bobrikovo are gold deposits in Nova Scotia, Canada.

**GOLD MINERALISATION AND GEOLOGY AT BOBRIKOVO**

Bobrikovo structure strikes 11km by 2.5 km. The deposit occurs on the intersection of deep fault zones. Mineralisation is controlled by NW-NNW trending anticline hinge, and occurs as concordant quartz-carbonate tension veins and stockworks. Host rocks of the Nagolny Kryazh comprise two structural stages: the lower, Precambrian, and the upper, Phanerozoic.

The lower structure comprises deformed sequence of gneisses and crystalline schists. Precambrian basement is overlapped by 3km- thick sedimentary rock sequence.

Ore zone is 2.5-3 km long and 0.9 – 1km wide. Sulphide ores occur from the depth of 35m down to at least 3200m.

Crustal environment: Nagolny Kryazh - centre of the Donetsk Fold Zone, on the E margin of the Ukrainian Shield.

Structural regime: Intersection of the Osyovy & Elanchik-Rovenkov deep-seated fault zones, where the Osyovy Fault splays S and N. 7-25 m wide quartz-ankerite veins and stockworks sit at crest of NW-trending anticline (280-290°, 11 km long, 2.5 km wide).

Host rocks: C2-P3 metamorphosed flysch greywacke-shale sedimentary rocks.

Ores: Carbonate-quartz veins and altered rocks with sulphide-gold mineralisation; fault controlled

Regional metallogeny: mercury, gold, base metals, silver, coal, sandstone-hosted uranium mineralisation

Age of host rocks: Early-Carboniferous; Age of mineralisation: 270 Ma



DIRECTORS' REPORT (Continued)

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GEOLSEC ORGANIC PHOSPHATE ROCK (NORTHERN TERRITORY)

**LOCATION**

Korab's GeolSec rock phosphate deposit is located in the Northern Territory, 65 km south of Darwin on the outskirts of the regional centre of Batchelor. Korab is intending to develop the deposit as a simple quarrying operation capable of supplying pastoralists, organic farmers and other users of phosphate based organic fertilisers with a superior environmentally friendly product. The deposit is located around 1 km from the grinding mill and is accessible during both dry and wet seasons. Local infrastructure includes sealed highway, railway line, gas pipeline, high voltage power and potable water.

Because of the deposit's location, its structure and its characteristics, the development of the GeolSec deposit should have a negligible environmental impact. Furthermore, through the development of GeolSec deposit as a preferred supplier of environmentally friendly organic products that can be substituted for soluble fertilisers, Korab can contribute to solving soil salinity and water pollution problems. Availability of locally produced and distributed organic fertiliser will also assist in further spread of sustainable agriculture around Darwin and elsewhere. This has a potential to provide substantial ongoing benefits to the environment and the local community.

**PRODUCTION VOLUMES, START-UP COST AND WORKING CAPITAL**

GeolSec is aiming to commence production in 2010<sup>2</sup> with a targeted first year output of 15,000 tons p.a. (notwithstanding the recently identified additional demand for our product), to generate a projected pre-tax gross profit of around \$5 million. GeolSec will be targeting a 2<sup>nd</sup> year profit of \$9 million, and a 3<sup>rd</sup> year profit of \$12 million. This represents a targeted pre-tax profit of \$26 million<sup>3</sup> over 3 years commencing 2010. This revenue stream represents a potential gross profit of 33 cents per share over 3 years. It is anticipated that the production could be expanded to 30,000 TPA by 2012-2013. There is a potential for the project to operate for at least 5 years at a rate of 30,000 TPA. The start-up costs are estimated at between \$200,000 and \$300,000 with working capital requirements in the order of \$300,000 and \$500,000. Initially, the quarrying and grinding operations would be conducted on a campaign basis (6-8 weeks a year) from May to July. The demand for the direct application phosphate rock is seasonal in nature with the bulk of the product bought during the months preceding the start of the wet season in October. However, the elevated location of the deposit allows for a year-round operation should this be required.

**MARKETING OF GEOLSEC PRODUCT**

Continued market research and the associated marketing drive have identified new areas of potential demand for GeolSec organic products. In addition to strong local demand in the Northern Territory, company has received trade enquiries from India, China and Indonesia suggesting substantial additional demand which in aggregate exceeds GeolSec's annual production capacity.

**GEOLSEC PHOSPHATE AND OTHER PHOSPHATE ROCKS**

GeolSec's organic phosphate product is a finely ground-up phosphate rock which is used for direct application by growers of organic produce and pastoralists. Not all phosphate deposits are suitable for this type of use. Majority of large phosphate deposit are not suitable for direct application because of their chemical composition, or crystalline structure, or both. As a consequence they are chemically treated and are primarily used for production of various grades of phosphoric acid and soluble phosphate fertilisers.

Phosphate rocks suitable for use as direct application organic fertilisers sell at substantial premium to other phosphate rocks which are not suitable for direct application. GeolSec phosphate rock, because of its chemical composition and physical properties is ideally suited for direct application and as a consequence is likely to command a substantial pricing premium to other phosphate rocks. Unlike other phosphates rocks, it will not undergo any chemical processing or beneficiation prior to application and consequently would be suitable for use by certified organic farms.

Direct application phosphate rock fertiliser prices have not been affected by the recent economic turmoil. Whilst soluble fertiliser demand has collapsed during 2008 and early part of 2009, the demand for organic fertilisers similar to GeolSec product has increased by around 17% in US alone. Similar growth rates were experienced in other regions. Australia is the world leader in organic farming. Over 40% of global organic farmland which is located in Australia is supplying rapidly expanding Asian and European demand with organic produce.

GeolSec product has major advantages over the chemically treated fertilisers and provides a number of benefits for the environment, farmers and consumers. More information about the benefits of GeolSec product is provided on the following pages as well as in the presentation made by Korab to the Australasian Fertiliser Conference held in Sydney in September 2009. Below is the link to the presentation which is available from Korab's website:

[http://www.korab.com.au/KORFertiliserconfSeptember2009\\_000.pps](http://www.korab.com.au/KORFertiliserconfSeptember2009_000.pps)

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<sup>2</sup> Subject to receiving pall permits and approvals

<sup>3</sup> Subject to achieving target production and sales revenue



DIRECTORS' REPORT (Continued)

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**BENEFITS OF ORGANIC PHOSPHATE**

A summary of information regarding direct application organic phosphate can be found below. For more information visit Korab's website at: <http://www.korab.com.au/geolsec.htm>

Organic fertilisers based on ground-up rock phosphate offer several advantages over soluble fertilisers such as DAP, MAP or superphosphate. They slowly release nutrients into the soil matching the speed at which the nutrients are being absorbed by the plants. This reduces the risk of harmful accumulation of nutrients in the soil, reduces soil salinity and limits the serious environmental degradation caused by concentration of fertilisers in the ground water, rivers and the coastal waters.

One of the many benefits of phosphate rock organic fertilisers is their ability to restore microelemental and microbial soil balance which in turn leads to less reliance on artificial fertilisers and better crop yields. Application of phosphate rock to tropical acid soils has a potential trigger effect on plant growth and crop yields as a result not only of P release but also of their effects on increasing exchangeable calcium (Ca) and reducing Al saturation. The resulting plants have a better nutritional quality.

*GEOLSEC* phosphate rock, thanks to its high specific gravity and small grind size is suitable for aerial application over large areas. *GEOLSEC* is a source of several nutrients other than P. Phosphate rock is usually applied to replenish the soil P status, but *GEOLSEC* also provides other nutrients present in this phosphate rock. The incorporation of the organic residues present in *GEOLSEC* enhances biological activity and soil carbon (C) accumulation, leading to improved physical and chemical soil properties. Thus *GEOLSEC* will have an important role in contributing to improving soil fertility and soil degradation control.

GeolSec phosphate rock is a natural mineral requiring no metallurgical processing. Its use as a substitute for soluble fertilisers avoids the production of polluting wastes such as phospho-gypsum and greenhouse gases, thus resulting in energy conservation and protection of environment from industrial pollution.

**ORGANIC FARMING IN AUSTRALIA**

Australia is the world leader in organic farming. In 2007, Australia had 12 million hectares of land (or 42% of the total world organic farmland) being used for organic farming. Although Korab is initially focusing on the pastoralist and organic farmers in the Northern Territory and several niche segments of the Western Australian market, the general Australian organic farming sector offers Korab a very substantial marketing opportunity and a potential for strong sustainable growth. Organic farming is the fastest growing sector of agriculture.



DIRECTORS' REPORT (Continued)

MELROSE GOLD PROJECT

Melrose project is located near Leinster in the Eastern Goldfields province of Western Australia within the Wanganoo greenstone belt.

Melrose projects contains JORC code compliant resource base of 6.7 million tonnes grading average of 1.43 g/t for a total of 306,000 ounces of gold in measured, indicated and inferred categories:

Table 1. Melrose Project Mineral Resource (above 0.5g/t cut-off)

RESOURCE/DEPOSIT	TONS	GRADE G/T AU	OUNCES GOLD
Measured Resource			
Boundary	684,000	1.36	30,000
Indicated Resource			
Boundary	3,024,000	1.31	127,000
Inferred Resource			
Boundary	900,000	1.56	45,000
Bungarra	1,655,000	1.64	87,000
Stirling	404,000	1.31	17,000
<b>TOTAL RESOURCE</b>	<b>6,667,000</b>	<b>1.43</b>	<b>306,000</b>

Gold mineralisation commences at a depth of 10 meters and remains open at depth. The area is underexplored and significant potential exists for substantial additional mineralisation along strike and at depth.

New areas of possible extension of the mineralized body have been highlighted by drilling, particularly on the eastern limb of the anticline where the BIF units contain wide intercepts of gold mineralization in the 1.5 to 2.5g/t Au range, with true widths of approximately 5 to 15 metres. The existence of high grade mineralization is encouraging and may translate to future underground mining. The significance, structural controls and continuity of these high-grade shoots suggest a well mineralized and deep seated system.

RC drilling program completed in 2004 and drilled at azimuths of 360 and 180 degrees and 60 degree declination into the Boundary resource highlighted the potential for both high grade shoots and bulk low grade mineralization in the area.

Significant drill intercepts from the Boundary deposit are listed below:

Table 2. Boundary Deposit – RC drilling significant intercepts (local grid)

HOLE NO.	NORTH	EAST	AZI/DECL.	INTERCEPT
BDRC02	23250	8910	270/-60	5m at 12.34g/t Au from 145m
BDRC03	23275	8925	270/-60	5m at 11.03g/t Au from 120m
BDRC11	23275	8900	270/-60	5m at 9.42g/t Au from 80m
BDRC28	23150	8960	270/-60	3m at 7.19g/t Au from 104m
BDRC35	23250	8930	270/-60	17m at 14.15g/t Au from 153m
BDRC36	23250	8980	270/-60	3m at 13.49g/t Au from 147m
BDRC45	23150	8980	270/-60	2m at 14.53g/t Au from 115m
BDRC58	23225	8885	270/-60	22m at 11.62g/t Au from 90m
BDRC60	23250	8855	270/-60	3m at 44.68g/t Au from 43m
BDRC60	23250	8855	270/-60	3m at 10.11g/t Au from 20m
BDRC61	23250	8890	270/-60	14m at 6.28g/t Au from 77m
BDRC65	23300	9020	270/-60	26m at 1.44g/t Au from 130m
BDRC66	23050	8745	090/-60	6m at 4.04g/t Au from 67m

Similarly high grade drill intercepts were encountered at the Bungarra deposit located to the south of the Boundary deposit. Significant intercepts are shown in the following table:

Table 3. Bungarra Deposit – RC drilling significant intercepts (local grid)

HOLE NO.	NORTH	EAST	AZI/DECL.	INTERCEPT
BFRC17	12030	19475	270/-60	2m at 33.80g/t Au from 29m
BFRC22	11960	19550	270/-60	2m at 6.57g/t Au from 30m
BFRC31	11910	19625	270/-60	5m at 6.07g/t Au from 60m



DIRECTORS' REPORT (Continued)

Bungarra deposit ore body has been modelled by Ravensgate, an internationally renowned and respected minerals industry consultancy as part of one of the scoping studies into the development options for the Melrose project.

**MELROSE PROJECT DEVELOPMENT**

Korab's 100% owned Melrose gold project consist of three granted mining leases which contain the Boundary, Bungarra, Hurleys and Stirling gold deposits. Project also includes several miscellaneous licences which were secured in 2006 for a new road to Bronzewing plant. Bronzewing plant is located some 40 km to the west of the Melrose project. Several scoping studies and a pit optimisation studies have been completed by Korab over the last 4 years. At the gold price above the AU\$800/ounce the optimum development option appears to be a stand alone operation with own processing plant located near the deposits. Korab is currently evaluating several equipment procurement options including the use of refurbished second hand equipment. Korab will be aiming to commence gold production from Melrose project in 2011<sup>4</sup>. Production in the 1<sup>st</sup> year is targeted at 20,000 ounces of gold at a cash cost of AU\$550-AU\$585 per ounce for a pre-tax profit of AU\$8,000,0005.

**MELROSE PROJECT RESOURCE ESTIMATION**

**Boundary Gold Deposit**

Mineralization is primarily associated with multiple quartz vein sets with no preferred host rock, lithological boundary or other mappable unit. Resource estimates at other lower cut-off grades have been calculated and demonstrate that significant tonnages are present at higher average grades. The following table demonstrates the range of values.

A 10 to 15 metre thick blanket of transported clay and gravels covers most of the deposit. The base of this unit can sometimes contain 2 to 3 metres of plus 20 g/t gold material, either derived from a mechanical or chemical concentration. The regolith beneath the cover is a stripped profile of bleached pallid white felsic clays.

Table4. Boundary Deposit – Oxide and fresh rock resources  
(Above 0.5g/t cut-off)

Category	Zone	Tonnes (t)	Grade (g/t)	Ounces
Measured	Oxide	32,000	1.45	1,000
	Fresh	652,000	1.36	29,000
	Subtotal	684,000	1.36	30,000
Indicated	Oxide	260,000	1.46	12,000
	Fresh	2,764,000	1.30	116,000
	Subtotal	3,024,000	1.31	128,000
Inferred	Oxide	60,000	1.21	2,000
	Fresh	840,000	1.58	43,000
	Subtotal	900,000	1.56	45,000
<b>Grand Total</b>		<b>4,608,000</b>	<b>1.37</b>	<b>203,000</b>

Weathering is generally between 70-90 metres vertical (to top of fresh rock). Petrological studies of the felsic to intermediate volcanic rocks indicate these are high-level rhyolitic/dacitic flows, crystal lithic tuffs and recrystallised volcanogenic conglomerates. These flows are intruded by a medium to coarse grained, sometimes porphyritic, quartz, biotite granodiorite with interstitial hornblende and pyrite. The granodiorite intrusion contains country rock xenoliths and has an irregular contact. Granodiorite veins and dykes also are intersected in drilling in close proximity to the main bodies.

Table 5. Boundary Deposit - Resource at various cut-off grades

LOWER CUT-OFF GRADE	TONNES	GRADE G/T	OUNCES
0.5	4,608,000	1.37	203,000
1.0	2,318,000	2.02	151,000
2.0	907,000	2.96	86,000
3.0	317,000	3.93	40,000
4.0	104,000	4.96	17,000

Gold mineralization is interpreted to exist mainly within steeply west-dipping quartz (minor pyrite) veins, primarily along the margins of the granite. A barren phase of sericite-pyrite alteration appears to predate the gold mineralising event,

<sup>4</sup> Subject to receiving all permits and approvals

<sup>5</sup> Assuming the gold price of AU\$1,000 per ounce



DIRECTORS' REPORT (Continued)

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and in general, no consistent correlation exists between gold grade and pyrite content. Within these steep-dipping zones, the majority of individual ore shoots are generally fairly narrow (1-3m wide); of limited vertical extent; generally traceable for less than 20-30 metres up or down dip; but more consistent down plunge, where many can be traced for over 50-60 metres.

Veins cross cut all lithologies, but appear to be best developed in a north-south to north-north east orientation along the western contact between granodiorite and volcanics. Another phase of veining appears to be associated with northeast structures, cross-cutting the granodiorite, volcanics and possibly BIF. Gold grades within the veins are highly variable with some containing visible gold and grade up to 266 g/t Au.

Where developed, BIF hosted mineralization is more continuous, due to a pervasive sulphidation of the rocks. However, mineralization in the BIF is generally lower grade (commonly 0.5-1.5 g/t Au) than observed within the granite and surrounding volcanic units. Accessory sulphides include pyrrhotite, chalcopyrite and molybdenite, but these are generally rare.

The Boundary mineralization has been intersected to depths of 250m below surface and remains open at depth. Eastern and Western BIF targets have not been adequately tested, nor have all IP anomalies been tested by drilling to date.

### **Bungarra Gold Deposit**

Bungarra contains an Inferred Resource currently estimated at 1.66mt @ 1.64 g/t Au containing 87,000 ounces of gold.

Much of the Bungarra resource has been interpreted to be within two shallowly dipping supergene bodies over an area of 400m by 180m. It is located approximately 4.6km south east of Boundary on the fold axis. Rock types are similar to Boundary, but at least two separate pyrite rich granodiorite intrusions are recognised; a grey granodiorite and a melanocratic granite.

The weathering profile at Bungarra is not as deep, compared to Boundary, averaging between 50m and 60m depth. However, supergene gold horizons within the saprolite are well developed and preserved. Primary mineralization has been intersected in a few deeper RC and diamond holes, but portions of the oxide mineralization are potentially more steeply dipping and reflect primary orientations, rather than supergene processes. Where recorded, quartz-pyrite veins are steeply dipping to the west with individual metre grades of up to 86 g/t gold. They appear to be aligned north-northwest, but this is not conclusive from the drilling to date. A significant primary gold ore body may exist at Bungarra or beneath adjacent areas of cover but this is yet to be confirmed.

### **Stirling Gold Deposit**

Stirling is a small supergene gold resource approximately 1.4km to the south southeast of Boundary. The current Inferred Resource is estimated at 404,000 at 1.31 g/t Au containing 17,000 ounces of gold. This is defined over an area of approximately 50 by 75m metres and 3 drill traverses.

Rock types at Stirling include more ultramafic sills than at Boundary and to date no granodiorite has been intersected in drilling. One reported granodiorite outcrop in a creek at Stirling could not be confirmed. The deposit appears to coincide with limonitic quartz veining on a north-northwest trending structure.

### **MELROSE PROJECT GEOLOGY**

Melrose is located in the Eastern Goldfields within the Archaean Yilgarn Craton. The host structure is Wanganoo/ Mt Fisher greenstone belt, a narrow, 5-12km wide, northwest trending greenstone structure (see diagram on page 8).

The host structure is a broad anticline with north-northwest trending axis that passes through the centre of the Melrose tenements. The structure is disrupted by northwest to north northwest - trending strike slip faults with right lateral displacement. Crosscutting northeast faults are clearly reflected on magnetic maps; smaller scale northeast-and east-west trending oblique shears transect the greenstone package.

Within the project area, the core consists of deeply weathered felsic volcanic flows and sediments. The uppermost section of the greenstone package consists of a thick sequence of tholeiite and high magnesium basalts, narrow dolerite or porphyry bodies, and thin pelitic metasediments. In places, synvolcanic and late-stage felsic stocks and porphyry bodies intrude the felsic rock sequence.

Metamorphic grade of the host rocks varies from amphibolite facies along the margins of the belt to upper greenschist facies toward the centre of the structure.

Host rocks have undergone intense silicification and weathering. The depth of weathering varies from 50 to 75m, in places up to 90m. The typical weathering profile is (from the base of oxidation): saprock (5 to 10m thick), saprolite (10 to 15m), limonitic oxide clays (10 to 15m), mottled zone (5 to 15m) and alluvium or transported laterite soils (2 to 5m). The weathering profile is commonly truncated with colluvium and alluvium consisting of calcareous red clay soils, iron nodules and fragments of ferruginous saprolite, directly overlying the clay zone.



DIRECTORS' REPORT (Continued)

**GOLD MINERALISATION AND ORE TYPES**

The mineralization discovered at Melrose is found in both oxidised and fresh rocks. The host structures for this mineralization fall into the following categories:

1. Flat-lying or gently dipping "supergene" layers within the oxide profile
2. Steep, narrow quartz veins sub-parallel to the fold axial plane cleavage
3. Larger quartz veins occupying dilation sites along lithologic contacts
4. Pervasive fracturing and stockwork mineralization through granitoid and coarse-grained volcanoclastic rocks in the antiform core.
5. Silicification and dilation quartz veins along the western limb of the BIF.

The volcanoclastic, sedimentary and granitoid units have acted as hosts to mineralization due to a combination of their brittle deformation around the antiform, linkage of major structures providing access for hydrothermal fluids, amenability to alteration and physical/chemical affinity for the precipitation of gold. The inter-related fracture systems have provided excellent conduits for mineralization, particularly within the core of the antiform and along contacts.

The mineralization described as "supergene" is a function of weathering zone re-distribution where vein or fault-hosted gold-bearing structures within the oxide profile have been weathered in situ and the gold preferentially distributed or dispersed in the sub-horizontal plane parallel to former (palaeo-) water table positions. The majority of oxide mineralization lies at depths of between 10 and 50m.

From observations in diamond drill core the mineralization shows the following characteristics:

1. Alteration haloes around quartz veins are generally small
2. Quartz veins traverse all rock types and are predominantly steep, often cross-cutting the rock fabric
3. Quartz veins are generally white or opaque and may show brecciation but are not layered, porous or crustiform (therefore likely to be formed by brittle deformation)
4. Quartz veins show multiple events with up to 4 overlapping sets of veins intersecting each other
5. Alteration assemblage is normally silica/chlorite/albite with subordinate sericite/carbonate
6. Sulphide assemblage is dominated by pyrite, often very fine grained in the alteration halo but recrystallised to coarser clusters in quartz veins
7. High-grade quartz veins show free gold in association with coarse pyrite; other sulphide species are rare

Three main types of mineralization have been defined based on the relative abundances of various minerals, which occur within the geological and weathering profile.

**Oxide Ore** - Limonitic and kaolinitic clays with variable proportions of weathered mafic material form the basis of this ore type. These tend to occur in the first 50 metres of the profile. Density of this clay material varies with location in the weathering profile, but normally occurs within the range 1.6 to 2.1 gm/cc. A density value of 1.8 gm/cc was used for the resource calculations. Grade variability may be high, especially associated with the redistributed sub-horizontal or "supergene" type occurrences at certain levels where grades above 10g/t gold are clustered within a lower grade, more widely dispersed envelope.

**Transitional Ore** - This ore type is, as the name suggests, transitional between the highly weathered oxide material and unweathered fresh material. Some parts of this intermediate zone have highly weathered and altered mineralization with oxide characteristics, other parts resemble bedrock sulphide. The global grade tends to be higher than oxide mineralization, however the tonnage is often lower. The Melrose Inferred Mineral Resource estimates were completed assuming that the oxide rocks were consistently weathered and no attempt was made to separate out the transition material at that stage.

**Sulphide Ore** - Sulphide-type mineralization is located in fresh rocks below the weathering profile. The global average grade for Melrose sulphide mineralization is 4.1 g/t gold. Ore is found in brecciated, quartz-veined and altered zones hosted by volcanoclastics, granitoids and sediments, which have undergone brittle deformation and hydrothermal alteration. Mineralization is associated with quartz veins and chlorite-silica alteration accompanied by sulphides, which are dominantly pyrite. The density of this type of ore varies from 2.6 to 2.85 gm/cc based on standard rock density data and current information from nearby mines with similar host materials.

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



DIRECTORS' REPORT (Continued)

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ASX ANNOUNCEMENTS

For details of ASX announcements regarding development and exploration activities of the company as well as its corporate actions please refer to following list, or to Korab Resources Ltd website at [www.korabresources.com.au](http://www.korabresources.com.au)

On 23 July 2008 Korab announced commencement of exploration program at Batchelor project in the Northern Territory targeting phosphate and associated minerals.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00862455>

On 8 August 2008 Korab announced commencement of ground radiometric survey at Batchelor project targeting uranium, phosphate and associate minerals.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00868118>

On 3 September 2008 Korab released results of the exploration program at Batchelor project. The program included radiometric survey of the Castlemaine Hill as well as geochemical tests on 270 samples collected within the western part of the project. The survey has outlined a number of radiometric anomalies which will provide targets for further exploration work. The samples have been assayed for P<sub>2</sub>O<sub>5</sub>, U, Cu, Co, Mn, Pb, Zn, Co, Ni, and Fe. Approximately 50 samples have also been assayed for Au, Al<sub>2</sub>O<sub>3</sub>, CaO, MgO, Mn, and TiO<sub>2</sub>.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00876653>

On 9 October 2008 Korab announced completion of earthworks in preparation for mining at Bobrikovo gold and silver mine in Ukraine. Korab holds equity of 71% in the mine through its subsidiary Lugansk Gold Ltd.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00889107>

On 20 October 2008 Korab announced that it had completed ground radiometric survey on 100 meter line spacing at its wholly owned Batchelor project in the Northern Territory. The survey produced data indicative of potential for further, previously undiscovered phosphate mineralisation within the project.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00892088>

On 15 December 2008 Korab announced it had received several expressions of interest in respect of Korab's 100% owned GeolSec rock phosphate deposit located 65 kilometres south of Darwin in the Northern Territory along the Adelaide-Darwin railway line. The proposals envisaged development of the deposit by third parties at no cost to Korab with Korab retaining substantial equity in the deposit and the mine. Korab's aim was to accelerate Korab's transition to producer status with the objective of becoming cashflow positive in a shortest possible timeframe.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00913406>

On 29 December 2008 Korab advised the market that it had received drill core and trench sample assay results from Korab's rock phosphate deposit at GeolSec in Northern Territory. The drill core samples came from cores from diamond holes DDH1 and DDH6 drilled by the Northern Territory government. Drill core samples revealed 32.7% P<sub>2</sub>O<sub>5</sub> over 6.9 m from 7.1 m to 14 m including 37% over 4.2 m from 7.1 m depth and 20.36% P<sub>2</sub>O<sub>5</sub> from 7.6 m to 20.1 m including 23.2% P<sub>2</sub>O<sub>5</sub> over 2 m from 7.1 m depth.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00916770>

On 27 April 2009 Korab announced that it had completed the scoping study designed to evaluate commercial viability of the development of the GeolSec rock phosphate deposit in the Northern Territory. The scoping study indicated that the deposit could be developed as a simple quarrying operation and capable of supplying the agricultural sector with a ground-up rock phosphate to be used as an organic fertiliser. The first year output target was to be approximately 10,000 tonnes pa to generate a projected 1<sup>st</sup> year pre-tax gross profit of around \$3 million. Production was to be expanded to 30,000 tonnes per annum by 2013. Results of the scoping study indicated a potential for the project to operate for at least 5 years at a rate of 30,000 tonnes per year. The start-up costs were estimated at between \$300,000 and \$500,000. The working capital requirements were estimated to be in the order of \$500,000 and \$800,000.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00947167>

On 11 May 2009 Korab announced that its wholly owned subsidiary, GeolSec Phosphate Operations Pty Ltd had commenced the process of securing required permits and regulatory approvals to develop and operate the GeolSec phosphate rock project. GeolSec was looking at commencing production of the organic fertiliser in 2010 subject to receiving all regulatory approvals. GeolSec's was aiming to supply low cost, environmentally-friendly organic fertiliser to the agricultural sector in the Northern Territory and thus support further expansion of sustainable agriculture in the region.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00951709>

On 26 May 2009 Korab's subsidiary, GeolSec Phosphate Operations Pty Ltd lodged an application for a mining tenement covering the GeolSec phosphate rock deposit as part of the process of securing required permits and regulatory approvals to develop and operate the GeolSec phosphate rock project.



DIRECTORS' REPORT (Continued)

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<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00955703>

On 15 June 2009 Korab advised that the marketing program targeting the Northern Territory agricultural sector was progressing as planned. In addition to this program, the company was evaluating further sales opportunities for its products. As a result of very positive outcome of the review of Western Australian market, the company has commenced marketing of GEOLSEC Bio+, a bio-activated version of its organic phosphate fertiliser designed to be used in locations which are cooler and drier than tropical regions of Australia.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00960416>

EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

On 20 July 2009 Korab announced the plan to distribute to Korab shareholders 1 free share in Uranium Australia Limited for each Korab share held. The company also announced that Uranium Australia intends to seek admission to ASX following an IPO at an issue of 20 cent a share.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00969888>

On 19 August 2009 Korab announced that its subsidiary operating the Bobrikovo gold project in Ukraine had completed revisions of the definitive feasibility study for the production of gold from the oxide ores from surface to 35m depth. The results of the revised study indicated a very profitable, robust project with low start-up and operating costs and high profit margin. Bobrikovo would be targeting for 2011-2012, a production of between 14,000 and 16,500 ounces of gold in concentrate for a pre-tax profit of between US\$4 million and US\$5.4 million (depending on recovery rates). The base case scenario was targeting 15,300 ounces for a pre-tax profit of US\$4.7 million at a 70% recovery rate of gold to concentrate. Korab's share of this targeted profit would be US\$3.36 million. Assuming an exchange rate of US\$/AU\$0.83, this would equate to a pre-tax profit of AU\$4 million attributable to Korab. The estimated operating costs including mining, processing and overheads were given as US\$280/oz. The anticipated capital costs of the project were in the range from US\$2.2 million to US\$2.8 million.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00978793>

On 1 September 2009 Korab has issued a notice of Extraordinary General Meeting to be held on 1 October 2009 to approve the distribution of shares in Uranium Australia held by Korab to Korab shareholders at a pro-rata ratio of at least 1.37 Uranium Australia shares for each Korab share held.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00984076>

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00984077>

On 3 September 2009 Korab announced a Share Purchase Plan (SPP) to eligible Korab shareholders to raise up to \$2,000,000 by issue of up to 10,000,000 shares at 20 cents each. The offer which was opened on 9 September 2009 enabled Korab shareholders to apply for up to \$15,000 worth of Korab shares at an issue price of 20 cent per share. Korab's average volume weighted share price at the time of the SPP announcement was 20 cents.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00985102>

On 9 September 2009 Korab provided additional gold product and profit targets information as well as technical, and financial information for the gold/silver Bobrikovo project in Ukraine.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00985600>

On 23 September 2009, Korab has delivered a presentation about Company's GeolSec organic phosphate business to the Australasian Fertiliser Conference in Sydney. Korab was invited by the organisers of the conference discuss social and environmental benefits of the development of Geolsec phosphate deposit as organic fertiliser business and its low environmental impact

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00991301>

[http://www.korab.com.au/KORFertiliserconfSeptember2009\\_000.pps](http://www.korab.com.au/KORFertiliserconfSeptember2009_000.pps)

On 28 September 2009, Korab announced that the \$2 million Share Purchase Plan priced at 20 cents a share has closed oversubscribed after 16 days.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00992286>

On 1 October 2009, Korab shareholders approved the in-specie distribution of the shares in Uranium Australia held by Korab to Korab shareholders at a rate of 1.37 Uranium Australia share for each Korab share.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00994495>

On 16 October 2009 Korab announced the commencement of work on the Melrose gold project located in Western Australia. Melrose project contains JORC code compliant gold resource of

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=00999364>



DIRECTORS' REPORT (Continued)

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On 22 October 2009 Korab announced that it has been able to reduce the start-up and operating costs of the GeolSec phosphate project in Northern Territory. The project has become fully funded to production following the successful completion of fund raising under the Share Purchase Plan in September 2009. The company has provided updated targeted profits and sales. The project which could be developed as early as 2010<sup>6</sup> would have a potential to generate 33 cents per Korab share in pre-tax profits over 3 years<sup>7</sup>.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01001305>

Except for the above, in the opinion of the Directors, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

Other than stated above, there were no significant changes in the state of affairs of the Company during the financial year.

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<sup>6</sup> Subject to receiving all permits and regulatory approvals

<sup>7</sup> Subject to meeting targeted production and sales revenue



DIRECTORS' REPORT (Continued)

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INFORMATION ON DIRECTORS

The names and details of the Korab Resources Limited ("Company") directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

**Andrej C.K.S. Karpinski, FAICD, F Fin (Executive Chairman)**

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

*Other Directorships:* Uranium Australia Limited, Rheinemann Ltd

**Malcolm J. (John) McKenzie (Non-Executive Director) (retired 30 November 2007)**

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

*Qualifications:* Mr. McKenzie's background is in corporate management, real estate property and land development. His corporate experience includes 24 years as a director of BGC, one of the largest private manufacturing, construction and contracting companies in Australia with current sales in excess of \$1 billion. Malcolm has been a Director of Korab for the past 5 years and provides to the Company the benefits of his general business and corporate experience as well as an ongoing strong interest in the resources sector.

**Rodney H. J. Skeet (Non-Executive Director)**

*Responsibilities:* Mr. Skeet has contributed 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 37 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. Mr. Skeet has been a Director of Korab for the past 5 years. He brings to the Company his broad network of international contacts within resources and securities sectors and his expertise in resources financing.

**Derek Lenartowicz (Non-Executive Director)**

*Responsibilities:* Mr. Lenartowicz contributed to the Company his extensive project development and mining experience.

*Qualifications:* Mr. Lenartowicz's background is in mine management and corporate management. He brings to the Company extensive project development and mining experience gained with major Australian resources companies at a senior management level. He is a mining engineer with significant experience in developing and operating large scale resource projects. He is currently the Managing Director of Sultan Corporation Ltd. Mr. Lenartowicz has been appointed Director of Korab in April 2006.

*Other Directorships:* Sultan Corporation Ltd



DIRECTORS' REPORT (Continued)

MEETINGS OF DIRECTORS

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

<b>Director</b>	<b>Number Eligible to Attend</b>	<b>Meetings Attended</b>
Andrej K. Karpinski	17	17
Malcolm J. McKenzie	1	1
Rodney H.J. Skeet	17	17
Steve Maccora	5	5
Derek Lenartowicz	11	11

The Company does not have a formally constituted audit committee as the board considers that the company's size and type of operation do not warrant such a committee.

FUTURE DEVELOPMENTS

Likely future developments in the operations of the Company are referred to in the Chairman's Report. Other than as referred to in this report, further information as to likely developments in the operations of the economic entity and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the economic entity and its shareholders.

ENVIRONMENTAL ISSUES

The Company's exploration activities are subject to the mining acts in the State and Territory in which it operates (Western Australia and the Northern Territory). The Company 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 Company 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 Company are not aware of any breach of environmental legislation for the financial year under review.

REMUNERATION REPORT

This report details the type and amount of remuneration for each director of Korab Resources Limited, and for the executives receiving the highest remuneration.

**REMUNERATION POLICY**

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 links the nature and amount of executive directors' emoluments to the company's financial and operational performance. The expected outcomes of this remuneration structure are:

- Retention and Motivation of Directors
- Performance rewards to allow Directors to share the rewards of the success of Korab Resources Limited

The remuneration of an Executive Chairman is decided by the non-executive Directors pending the formation of the Remuneration Committee. In determining competitive remuneration rates the Directors review local and international trends among comparative companies and the industry generally.



DIRECTORS' REPORT (Continued)

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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 appointment of non-executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value of the Company of the respective contributions by each non-executive Director.

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

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

All remuneration paid to directors and executives is valued at the cost to the company and expensed.

**PERFORMANCE BASED REMUNERATION**

The company has not paid bonuses to directors or executives to date.

**COMPANY PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTORS' AND EXECUTIVES' REMUNERATION**

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

**EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES**

The employment conditions of employees were formalised in contracts of employment in July 2008. Korab Resources Limited entered into Executive Service Agreement with Rheingold Investments Corporation Pty Ltd. Under the Agreement, A K 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 A K Karpinski twelve (12) months' notice. In the event the Company does not require A K Karpinski to work throughout the period of notice, the Company shall tender to A K Karpinski an amount of \$327,000 plus GST. The same agreement with the same termination clause was also entered into by Uranium Australia Limited with Rheingold Investments Corporation Pty Ltd at a rate of \$218,000 per annum plus GST. Mr. Karpinski has voluntarily suspended payments due under both agreements since October/November 2008. The payments under both agreements are still suspended as at the date of this report. The amounts of fees which have accrued since the payments were suspended are disclosed in the notes to this financial report.



DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at the date of this report, the interests of the Directors in the shares and options of the Company are:

Directors	Ordinary Shares					Options		
	Balance at beginning of year	Purchases	Balance at end of year	Purchases following end of year	Balance at the date of this report	Balance at beginning of year	Exercised	Balance at end of year
Andrej Karpinski	20,075,000	50,000	20,125,000	-	20,125,000	-	-	-
Rodney Skeet	579,408	91,148	670,556	-	670,556	-	-	-
Derek Lenartowicz	-	-	-	-	-	-	-	-
Steve Maccora	1,410,000	-	1,410,000	-	1,410,000	-	-	-
Malcolm McKenzie	5,646,421	-	5,646,421	-	5,646,421	-	-	-
Daniel Smetana	561,618	-	561,618	50,000	611,618	-	-	-
Andrew Teo	-	-	-	-	-	-	-	-

**KEY MANAGEMENT PERSONNEL**

The following persons were key management personnel of Korab Resources Limited during the financial year:

<b>Name</b>	<b>Position Held</b>
Andrej Karpinski	Executive chairman
Malcolm McKenzie	Non-executive director
Rodney Skeet	Non-executive director
Derek Lenartowicz	Non-executive director
Steve Maccora	Non-executive director

**REMUNERATION OF KEY MANAGEMENT PERSONNEL FOR THE YEAR ENDED 30 JUNE 2009**

<b>2009</b>	<b>Andrej Karpinski</b>	<b>Derek Lenartowicz</b>	<b>Malcolm McKenzie</b>	<b>Rodney Skeet</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Short-term benefits</b>					
Cash salary paid	136,250*	10,000	0	10,632	156,882
Cash salary accrued	190,750*	1,000	0	15,000	206,750
<b>Post-Employment Benefits</b>					
Pension and superannuation	-	990	3,690	0	4,680
<b>Total</b>	<b>327,000</b>	<b>11,990</b>	<b>3,690</b>	<b>25,632</b>	<b>368,312</b>
<b>2008</b>	\$	\$	\$	\$	\$
<b>Short-term benefits</b>					
Cash salary	300,000*	26,000	13,000	26,000	365,000
<b>Post-Employment Benefits</b>					
Pension and superannuation	27,000	2,340	1,170	2,340	32,850
<b>Total</b>	<b>327,000</b>	<b>28,340</b>	<b>14,170</b>	<b>28,340</b>	<b>397,850</b>

Directors have indefinitely suspended payments of the directors' remuneration since November 2008. As of the date of this report the payments for directors' fees and the executive services fee are still suspended.



DIRECTORS' REPORT (Continued)

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\*This amount comprises executive services fees paid to Rheingold Investments Corporation Pty Ltd, a company under the control of Andrej Karpinski. Mr. Karpinski has not received any director's fees from Korab or its subsidiaries since the formation of Korab in March 1998.

**Compensation options granted and exercised during the year ended 30 June 2009**

No remuneration options were granted or exercised during the year ended 30 June 2009.

**Performance income as a proportion of total income**

No performance based bonuses have been paid to key management personnel during the financial year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

From July 2008 to 30 June 2009, the Company carried Directors and Officers insurance. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entity.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of 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 these proceedings. The Company was not a party to any such proceedings during the year.

SHARES OPTIONS

As at the date of this report, there were 500,000 unlisted options which can be exercised into ordinary fully paid shares by payment of 10 cents per share on or before expiry date of 5 February 2011 (2008: nil).

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001 for the year ended 30 June 2009 is set out on page 23.

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard for audit independence imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid to the external auditors during the year:

Consulting services	NIL
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CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Korab Resources support and have adhered to the principles of sound corporate governance.



DIRECTORS' REPORT (Continued)

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The Board recognises the recent recommendations of the Australian Stock Exchange Corporate Governance Council, and considers that Korab Resources is in compliance with those guidelines which are of critical importance to the commercial operation of a junior listed resources company. The Company's corporate governance statement and disclosures are contained further in this annual report.

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



**Andrej K Karpinski, FAICD, F Fin  
Executive Chairman**

Perth, Western Australia  
30 October 2009



AUDITOR'S INDEPENDENCE DECLARATION

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25 September 2009

To the Board of Directors  
Korab Resources Limited  
Suite 6, Level 1, 100 Mill Point Road  
South Perth WA 6151

Dear Board Members,

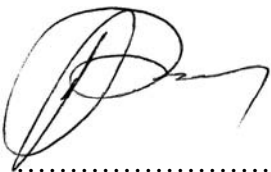
**Korab Resources Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence of Korab Resources Limited.

For the financial year ended 30 June 2009, I declare to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,



.....  
Cormac Patrick Sharkey  
Principal



**INCOME STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue	5	9,402	60,859	5,844	46,981
Cost of sales		-	-	-	-
Gross profit		9,402	60,859	5,844	46,981
Other income	6	12,338	(37,000)	12,388	(37,000)
Depreciation and interest expense	7	(87,680)	(55,805)	(73,325)	(52,067)
Employee benefits expense		(115,958)	(439,134)	(17,832)	(305,319)
Non-executive directors' fees		(57,817)	(93,000)	(30,827)	(70,850)
Corporate advisory expenses		-	(130,000)	-	(505)
Conference, travel and public relations		(25,207)	(265,264)	(4,497)	(63,965)
Insurance expenses		(62,826)	(77,676)	(34,645)	(41,567)
Management contract fees paid		(545,000)	(518,000)	(327,000)	(340,732)
Management contract fees payable		-	-	-	-
Office rent and outgoings		(76,114)	(50,416)	(38,252)	(29,701)
Provisions		47,199	(40,793)	47,199	(40,793)
Other expenses from ordinary activities		(562,358)	(567,340)	(260,720)	-
Excess over interest in net fair value of subsidiaries acquired over cost	8	-	990,046	-	(130,160)
<b>Profit/(Loss) before income tax</b>	<b>7</b>	<b>(1,464,021)</b>	<b>(1,223,523)</b>	<b>(721,667)</b>	<b>(1,065,678)</b>
Income tax expense	9	-	-	-	-
<b>Profit/(Loss) for the period</b>		<b>(1,464,021)</b>	<b>(1,223,523)</b>	<b>(721,667)</b>	<b>(1,065,678)</b>
Profit/(Loss) attributable to:					
- Minority interest		(159,631)	(116,614)	-	-
- Equity holders of the parent		(1,304,390)	(1,106,909)	(721,667)	(1,065,678)
		<b>(1,464,021)</b>	<b>(1,223,523)</b>	<b>(721,667)</b>	<b>(1,065,678)</b>
		<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
<b>Earnings/(Loss) per share for profit for the period</b>					
Basic earnings/(loss) per share	10	(2.16)	(2.00)		

There are no dilutive potential ordinary shares, therefore dilutive earnings per share has not been calculated or disclosed.

The above income statement should be read in conjunction with the accompanying notes.



BALANCE SHEETS  
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	12	205,188	1,066,485	155,620	175,825
Trade and other receivables	13	251,617	451,747	35,448	29,049
Current tax assets	14	4,621	90,270	809	-
Related party receivables	15	-	-	586,184	558,675
<b>Total Current Assets</b>		<b>461,426</b>	<b>1,608,502</b>	<b>778,061</b>	<b>763,549</b>
<b>Non-Current Assets</b>					
Intangible assets	16	385,028	288,570	16,108	16,158
Property, plant and equipment	17	89,644	122,193	71,113	104,768
Exploration and mining interest assets	18	4,393,083	3,795,933	1,737,856	1,846,372
Other investments	19	-	-	1,230,440	1,048,640
<b>Total Non-Current Assets</b>		<b>4,867,755</b>	<b>4,206,696</b>	<b>3,055,517</b>	<b>3,015,938</b>
<b>TOTAL ASSETS</b>		<b>5,329,181</b>	<b>5,815,198</b>	<b>3,833,578</b>	<b>3,779,487</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Current tax liabilities	21	-	-	-	6,210
Trade and other payables	22	787,170	436,466	339,295	178,170
Lease liabilities	23	10,982	10,274	10,982	10,274
Related party payables	24	-	203,797	-	203,797
<b>Total Current Liabilities</b>		<b>798,152</b>	<b>650,537</b>	<b>350,277</b>	<b>398,451</b>
<b>Non-current liabilities</b>					
Lease liabilities	23	43,816	54,689	43,816	54,689
Related party payables	24	490,623	-	470,623	-
Other loans	25	384,588	-	324,182	-
<b>Total Non Current Liabilities</b>		<b>919,027</b>	<b>54,689</b>	<b>838,621</b>	<b>54,689</b>
<b>TOTAL LIABILITIES</b>		<b>1,717,179</b>	<b>705,226</b>	<b>1,188,898</b>	<b>453,140</b>
<b>NET ASSETS</b>		<b>3,612,002</b>	<b>5,109,972</b>	<b>2,644,680</b>	<b>3,326,347</b>
<b>EQUITY</b>					
Contributed equity	26	5,463,432	5,423,432	5,463,432	5,423,432
Reserves	27	(116,163)	564	-	-
Retained earnings / (Accumulated losses)	28	(1,900,314)	(613,086)	(2,818,752)	(2,097,085)
Parent entity interest		3,446,955	4,810,910	2,644,680	3,326,347
Minority interest	29	165,047	299,062	-	-
<b>TOTAL EQUITY</b>		<b>3,612,002</b>	<b>5,109,972</b>	<b>2,644,680</b>	<b>3,326,347</b>

The above balance sheet should be read in conjunction with the accompanying notes.



**CASH FLOW STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Cash flows from operating activities</b>					
Payments to suppliers and employees		(943,314)	(2,205,063)	(331,585)	(603,217)
Payments for exploration costs and tenements		(597,150)	(719,040)	(64,040)	(456,183)
Interest paid and other costs of finance		(48,307)	(9,789)	-	(9,784)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>31</b>	<b>(1,588,771)</b>	<b>(2,933,892)</b>	<b>(395,625)</b>	<b>(1,069,184)</b>
<b>Cash flows from investing activities</b>					
Interest received		9,402	60,859	5,844	46,981
Acquisition of subsidiary, net of cash acquired		-	-	(181,800)	(416,640)
Payments for property, plant and equipment		(6,824)	(79,541)	(2,258)	(58,933)
Proceeds from sale of assets		-	-	6,914	-
Net loans from/(to) related parties		-	203,797	237,079	(1,940,898)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>2,578</b>	<b>185,115</b>	<b>65,779</b>	<b>(2,369,490)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of ordinary shares		40,000	1,496,250	40,000	1,496,250
Share applications received in advance		-	-	-	-
Proceeds from borrowings		671,414	-	324,890	-
Payment of finance lease liabilities		13,482	(9,511)	(10,873)	(9,511)
Interest paid		-	-	(44,376)	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>724,896</b>	<b>1,486,739</b>	<b>309,641</b>	<b>1,486,739</b>
Net increase/(decrease) in cash and cash equivalents		(861,297)	(1,262,038)	(20,205)	(1,951,935)
Net foreign exchange differences		-	-	-	-
Cash and cash equivalents at beginning of year		1,066,485	2,328,523	175,825	2,127,760
<b>Cash and cash equivalents at end of year</b>	<b>12</b>	<b>205,188</b>	<b>1,066,485</b>	<b>155,620</b>	<b>175,825</b>

The above cash flow statements should be read in conjunction with the accompanying notes.



**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2009**

	<b>Issued capital</b>	<b>Accum. Losses</b>	<b>Reserves</b>	<b>Total</b>	<b>Minority interest (Note 29)</b>	<b>Total equity</b>
<b>CONSOLIDATED ENTITY</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>At 1 July 2007</b>	<b>3,927,182</b>	<b>493,823</b>	-	<b>4,421,005</b>	<b>294,168</b>	<b>4,715,173</b>
Shares issued during the year	1,575,000	-	-	1,575,000	-	1,575,000
Acquisition of subsidiaries	-	-	-	-	121,487	121,487
Less: Transaction costs arising on shares issued	(78,750)	-	-	(78,750)	-	(78,750)
Foreign currency translation	-	-	564	564	21	585
Profit/(loss) for the year	-	(1,106,909)	-	(1,106,909)	(116,614)	(1,223,523)
<b>At 30 June 2008</b>	<b>5,423,432</b>	<b>(613,086)</b>	<b>564</b>	<b>4,810,910</b>	<b>299,062</b>	<b>5,109,972</b>
<b>At 1 July 2008</b>	<b>5,423,432</b>	<b>(613,086)</b>	<b>564</b>	<b>4,810,910</b>	<b>299,062</b>	<b>5,109,972</b>
Shares issued during the year	40,000	-	-	40,000	-	40,000
Additional investment in Subsidiary	-	-	-	-	29,953	29,953
Foreign currency translation	-	17,162	(116,727)	(99,565)	(4,337)	(103,902)
Profit/(loss) for the year	-	(1,304,390)	-	(1,304,390)	(159,631)	(1,464,021)
<b>At 30 June 2009</b>	<b>5,463,432</b>	<b>(1,900,314)</b>	<b>(116,163)</b>	<b>3,446,955</b>	<b>165,047</b>	<b>3,612,002</b>
<b>PARENT ENTITY</b>						
<b>At 1 July 2007</b>	<b>3,927,182</b>	<b>(1,031,407)</b>	-	<b>2,895,775</b>	-	<b>2,895,775</b>
Issue of capital						
Shares issued during the period	1,575,000	-	-	1,575,000	-	1,575,000
Less: Transaction costs arising on shares issued	(78,750)	-	-	(78,750)	-	(78,750)
Profit/(loss) for the year	-	(1,065,678)	-	(1,065,678)	-	(1,065,678)
<b>At 30 June 2008</b>	<b>5,423,432</b>	<b>(2,097,085)</b>	-	<b>3,326,347</b>	-	<b>3,326,347</b>
<b>At 1 July 2008</b>	<b>5,423,432</b>	<b>(2,097,085)</b>	-	<b>3,326,347</b>	-	<b>3,326,347</b>
Issue of capital	40,000	-	-	40,000	-	40,000
Profit/(loss) for the year	-	(721,669)	-	(721,669)	-	(721,669)
<b>At 30 June 2009</b>	<b>5,463,432</b>	<b>(2,818,754)</b>	-	<b>2,644,678</b>	-	<b>2,644,678</b>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

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**1. CORPORATE INFORMATION**

The financial report of Korab Resources Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 30 September 2009 and covers Korab Resources Limited as an individual entity as well as the consolidated entity consisting of Korab Resources Limited and its subsidiaries as required by the *Corporations Act 2001*.

The financial report is presented in Australian currency.

Korab Resources Limited is a company limited by shares incorporate in Australia whose shares are publicly traded on the Australian Stock Exchange.

The address of the registered office and principal place of business is as follows:

**Registered Office and Principal Office**

Suite 6  
Level 1,  
100 Mill Point Road  
SOUTH PERTH, WA  
AUSTRALIA, 6151

**2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES**

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

**(a) Basis of Preparation**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*

**Compliance With IFRS**

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report complies with International Financial Reporting Standards (IFRS)

**Historical Cost Convention**

These financial statements have been prepared under the historical cost convention.

**Critical accounting estimates**

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

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**(b) Basis of Consolidation**

***Subsidiaries***

The consolidated financial statements comprise the financial statements of Korab Resources Limited and its subsidiaries at 30 June each year ("the Group"). Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless costs cannot be recovered.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Subsidiaries are accounted for in the parent entity's financial statements at cost.

***Associates***

Associates are entities over which the Group has significant influence but not control. Associates are accounted for in the parent entity's financial statements at cost and the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, the consolidated income statement reflects the Group's share of associates' post-acquisition profits or losses and the consolidated balance sheet reflects the Group's share of post-acquisition movements in reserves or equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the parent entity's income statement but rather reduce the carrying amount of the investment in the consolidated financial statements.

When the Group's share of post-acquisition losses in an associate exceeds its interest in the associate (including any unsecured receivables), the Group does not recognise further losses unless it has obligations to, or has made payments, on behalf of the associate.

The financial statements of the associates are used to apply the equity method. The reporting dates of the associates and the parent are identical and both use consistent accounting policies.

**(c) Business Combinations**

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued, the value of the equity instruments is their published market price as at the date of exchange unless, in rare circumstances it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are initially measured at their fair values at acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill (refer Note 2(l)). If the cost of acquisition is less than the group's share of the fair value of the net assets acquired, the difference is recognised in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

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**(d) Foreign Currency Translation**

The functional and presentation currency of Korab Resources Limited and its Australian subsidiaries is Australian dollars (A\$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The functional currency of the overseas subsidiaries is Ukraine Hryvnia. At reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Korab Resources Limited at the closing rate at balance sheet date and income and expenses are translated at the weighted average exchange rates for the year. All resulting exchange difference are recognised as a separate component of equity (foreign currency translation reserve). On disposal of a foreign entity, the cumulative exchange differences recognised in foreign currency translation reserves relating to that particular foreign operation is recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**(e) Segment Reporting**

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments. Details of segments that the Group operates in are detailed in Note 4.

**(f) Revenue Recognition**

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

***Interest***

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

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**(g) Income Tax**

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

**(h) Impairment of Assets**

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the income statement where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

**(i) Cash and Cash Equivalents**

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**(j) Trade Receivables**

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will not be able to collect all amounts due according to the original terms.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

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**(k) Inventories**

***Raw Materials, Work in Progress and Finished Goods***

Inventories are stated at the lower of cost and net realisable value. Cost comprises all direct materials, direct labour and an appropriate portion of variable and fixed overheads. Fixed overheads are allocated on the basis of normal operating capacity. Costs are assigned to inventories using the weighted average/first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling cost of completion and selling expenses.

**(l) Investments and Other Financial Assets**

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the Group commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

***Loans and receivables***

Non-current loans and receivables include loans due from related parties repayable within 366 days of balance sheet date. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating. The discount is debited to the income statement immediately and amortised using the effective interest method.

***Other financial assets***

Investments in subsidiaries, associates and joint venture entities are accounted for in the consolidated financial statements as described in Note 2(b) and in the parent entity financial statements at cost in accordance with the cost alternative permitted in separate financial statements under AASB 127 Consolidated and Separate Financial Statements.

**(m) Impairment of Financial Assets**

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously amortised in profit or loss – is removed from equity and amortised in the income statement. Impairment losses amortised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

**(n) Fair Values**

Fair values may be used for financial asset and liability measurement and well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at balance sheet date. The quoted market price for financial assets is the current bid price and the quoted market price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at balance date. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at balance sheet date. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.





NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

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**(k) Leases**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

When assets are leased out under finance leases, the present value of the lease payments is recognised as a lease receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the lease term using the net investment method which reflects a constant periodic rate of return.

Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on the same bases as the lease income.

**(l) Intangible Assets**

***Goodwill***

Goodwill represents the excess of the cost of the business combination over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is not amortised but is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Impairment losses on goodwill cannot be reversed.

**(m) Trade and Other Payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms.

**(n) Provisions**

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. For service warranties, the likelihood that an outflow will be required to settle the obligation is determined by considering the class of obligations as a whole. Provisions are not recognised for future operating losses.

Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

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**(o) Employee Benefit Provisions**

***Wages and Salaries, Annual Leave and Sick Leave***

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in respect of employees' services rendered up to balance sheet date and measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. Liabilities for wages and salaries are included as part of Other Payables and liabilities for annual sick leave are included as part of Employee Benefit Provisions.

***Long Service Leave***

Liabilities for long service leave are recognised as part of 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 to the balance sheet date using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at balance sheet date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**(p) Contributed Equity**

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

**(q) Earnings Per Share**

***Basic earnings per share***

Basic earnings per share is calculated by dividing the net loss attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

***Diluted earnings per share***

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(r) Goods and Services Tax (GST)**

Revenues, expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

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**(s) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

**AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8**

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

**Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]**

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

**AASB-I 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

AASB-I 14 will be effective for annual reporting periods commencing on or after 1 January 2008. It provides guidance on the maximum amount that may be recognised as an asset in relation to a defined benefit plan and the impact of minimum funding requirements on such an asset. None of the Group's defined benefit plans are subject to minimum funding requirements and none of them is in a surplus position. The Group will apply AASB-I 14 from 1 July 2008, but it is not expected to have any impact on the Group's financial statements.

**Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101**

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

**3. ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. There are no estimates, assumptions or judgments that are expected to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, except for the following:

**Exploration and Evaluation Assets**

Acquisition, exploration and evaluation expenditure incurred 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 sheet 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.

**4. SEGMENT REPORTING**

**Description of Segments**

The Group's primary reporting format is geographical segments and its secondary reporting format is business segments. The consolidated entity operates primarily in Australia, and in one industry, being mineral exploration.

**5. REVENUE**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>From continuing operations</b>				
Other	-	-	-	-
Interest	9,402	60,859	5,844	46,981
	<u>9,402</u>	<u>60,859</u>	<u>5,844</u>	<u>46,981</u>

**6. OTHER INCOME**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Net gain/(loss) on disposal of other investments and intangible assets	-	(37,000)	-	(37,000)
Sundry Income	12,338	-	12,388	-
	<u>12,338</u>	<u>(37,000)</u>	<u>12,388</u>	<u>(37,000)</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2009

7. EXPENSES

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Profit/(Loss) before income tax includes the following specific expenses:				
<b><i>Interest expense</i></b>				
- Banks	48,307	9,789	44,326	9,784
	<u>48,307</u>	<u>9,789</u>	<u>44,326</u>	<u>9,784</u>
<b><i>Depreciation expense</i></b>				
Plant and equipment	29,722	33,953	19,348	30,220
Leased motor vehicle	9,651	12,063	9,651	12,063
	<u>39,373</u>	<u>46,016</u>	<u>28,999</u>	<u>42,283</u>
	<u>87,680</u>	<u>55,805</u>	<u>73,325</u>	<u>52,067</u>

8. CORRECTION OF ERRORS, REVISION OF ACCOUNTING ESTIMATES AND VARIATION FROM PRELIMINARY FINAL REPORT

**Prior year adjustments**

The following adjustments relating to the prior year financial statements of the Group were identified during the current financial year and were accounted for retrospectively by way of prior year adjustments. These adjustments were due to the following:

- Certain expenses and other payments previously allocated to Korab Resources Limited which should have been allocated to one of its subsidiaries, Uranium Australia Limited; and
- AASB 3 *Business Combinations* and AASB 127 *Consolidated and Separate Financial Statements*, which were not adopted in the consolidation of the financial statements in previous years.

These errors have been corrected by restating each of the affected financial statement line items for the previous year in both the consolidated and parent accounts, and the resulting excess over interest in net fair value of subsidiaries acquired over cost has been taken up in the consolidated income statements.

Basic and diluted earnings per share for the previous years have also been restated accordingly.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

**9. INCOME TAX EXPENSE**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Income tax expense</b>				
Current tax expense	-	-	-	-
Deferred tax expense	-	-	-	-
Total income tax expense in income statement	-	-	-	-

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Tax losses</b>				
Unused tax losses for which no deferred tax asset has been recognised:				
- Carry forward revenue losses	520,997	1,033,067	845,626	629,126
- Carry forward overseas losses	49,097	7,204	-	-
Potential benefit at 30% (2008: 30%)	570,094	1,040,271	845,626	629,126

There is no expiry date on the future deductibility of unused tax losses.

The tax benefits of the above tax losses and deferred tax assets will only be obtained if:

- the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- the company continues to comply with the conditions for deductibility imposed by law; and
- no changes in income tax legislation adversely affect the company in utilising the benefits.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2009

10. EARNINGS PER SHARE

Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2009	2008
	\$	\$
<b>Basic earnings per share</b>		
Profit/(Loss) from operations attributable to ordinary equity holders of Korab Resources Limited used to calculate basic earnings per share	(1,304,390)	(1,223,523)
	Consolidated	
	2009	2008
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	68,000,000	48,785,989

11. AUDITORS' REMUNERATION

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Audit services</b>				
Amounts paid/payable to Cormac Sharkey for audit or review of the financial report for the entity or any entity in the group	74,559	19,781	50,339	19,781
Amounts paid/payable to non-Cormac Sharkey audit firms for audit or review of the financial report for the entity or any entity in the group	-	-	-	-
	74,559	19,781	50,339	19,781

12. CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash at bank and in hand	112,906	384,397	78,593	18,094
Cash management account	17,282	610,088	2,027	85,731
Term deposit	75,000	72,000	75,000	72,000
	205,188	1,066,485	155,620	175,825

Reconciliation of cash

The above figures are reconciled to the cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balances as above	205,188	1,066,485	155,620	175,825
Balances per statement of cash flows	205,188	1,066,485	155,620	175,825



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

**13. TRADE AND OTHER RECEIVABLES**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Rental bond	27,000	29,000	27,000	29,000
Prepayments	247,570	420,617	8,399	-
IPO Refund	-	1,000	-	-
Withholding tax	1,347	1,130	49	49
	<u>251,617</u>	<u>451,747</u>	<u>35,448</u>	<u>29,049</u>

**14. CURRENT TAX ASSETS**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
GST receivable control account	4,621	90,270	809	-
	<u>4,621</u>	<u>90,270</u>	<u>809</u>	<u>-</u>

**15. RELATED PARTY RECEIVABLES**

The following balances are outstanding at reporting date in relation to transactions with related parties:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Uranium Australia Limited	-	-	178,871	299,031
Lugansk Gold Limited	-	-	407,313	259,644
			<u>586,184</u>	<u>558,675</u>

Loans receivable from related parties are unsecured and interest-free at balance date.

Further information relating to related party receivables is set out in Note 32.

**16. INTANGIBLE ASSETS**

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Preliminary expenses	6,094	6,094	6,094	6,094
Less: Accumulated amortisation	-	-	-	-
	<u>6,094</u>	<u>6,094</u>	<u>6,094</u>	<u>6,094</u>
Borrowing costs – finance lease	496	496	496	496
Less: Accumulated amortisation	(256)	(207)	(256)	(207)
	<u>240</u>	<u>289</u>	<u>240</u>	<u>289</u>
Trademarks	<u>16,673</u>	<u>16,673</u>	<u>9,775</u>	<u>9,775</u>
Goodwill	<u>362,299</u>	<u>265,514</u>	<u>-</u>	<u>-</u>
	<u>385,028</u>	<u>288,570</u>	<u>16,108</u>	<u>16,158</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2009

**17. PROPERTY, PLANT AND EQUIPMENT**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Plant and equipment</i>				
At cost	133,344	126,520	100,645	105,301
Accumulated depreciation	(82,303)	(52,581)	(68,135)	(48,787)
Total plant and equipment	51,041	73,939	32,510	56,514
<i>Leased motor vehicles</i>				
At cost	77,000	77,000	77,000	77,000
Accumulated depreciation	(38,397)	(28,746)	(38,397)	(28,746)
Total leased motor vehicles	38,603	48,254	38,603	48,254
Total non-current property, plant and equipment	89,644	122,193	71,113	104,768

**Reconciliations**

Reconciliations of the carrying amounts of each class of property, plant & equipment at the beginning and end of the current and previous financial year are set out below:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Total plant and equipment</i>				
Carrying amount at beginning of financial year	73,939	28,351	56,514	27,801
Additions	13,738	79,541	2,258	58,933
Disposals	6,914	-	(6,914)	-
Depreciation	(29,722)	(33,953)	(19,348)	(30,220)
Carrying amount at end of financial year	51,041	73,939	32,510	56,514

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Total leased vehicles</i>				
Carrying amount at beginning of financial year	48,524	60,317	48,524	60,317
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	(9,651)	(12,063)	(9,651)	(12,063)
Carrying amount at end of financial year	38,603	48,254	38,603	48,254



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2009

**18. EXPLORATION AND MINING INTEREST ASSETS**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Costs carried forward in respect of areas of interest in:				
Interest in mining licenses at cost	3,527,792	3,220,554	1,246,439	1,418,995
Exploration costs capitalised	865,291	575,379	491,417	427,377
	<u>4,393,083</u>	<u>3,795,933</u>	<u>1,737,856</u>	<u>1,846,372</u>

**Reconciliations**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b><i>Interest in mining licenses</i></b>				
Balance at beginning of period	3,220,554	1,889,773	1,418,995	1,051,850
Licenses purchased during the year	307,238	1,330,781	(172,556)	367,145
Balance at end of period	<u>3,527,792</u>	<u>3,220,554</u>	<u>1,246,439</u>	<u>1,418,995</u>
<b><i>Exploration and evaluation</i></b>				
Balance at beginning of period	575,379	389,033	427,377	382,704
Exploration expenditure capitalised during the year	289,912	186,346	64,040	44,673
Sale of exploration tenements	-	-	-	-
Balance at end of period	<u>865,291</u>	<u>575,379</u>	<u>491,417</u>	<u>427,377</u>

**19. OTHER INVESTMENTS (NON-CURRENT)**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Shares in subsidiaries (refer Note 20)				
- Uranium Australia Limited	-	-	930,440	748,640
- Lugansk Gold Limited	-	-	300,000	300,000
Other investments				
- Shares in Samarai Pty Ltd	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,230,440</u>	<u>1,048,640</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

**20. SUBSIDIARIES**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2(b).

	Country of incorporation	Class of shares	Equity holding	
			2009 \$	2008 \$
<b>Held by parent</b>				
Uranium Australia Limited	Australia	Ordinary	78.50%	87.50%
Lugansk Gold Limited (held by parent)	Australia	Ordinary	96.39%	96.39%
<b>Held by Lugansk Gold Limited</b>				
Donetsky Kryazh Limited	Ukraine	Ordinary	74.00%	74.00%

\* the proportion of ownership interest is equal to the proportion of voting power held.

**Acquisition of controlled entities**

During the year Korab Resources Limited ('Korab') acquired a further 640,000 ordinary shares in Uranium Australia Limited ('Uranium') for \$76,800, however, due to additional share capital issued by Uranium, Korab's share in Uranium has been diluted. The net effect of both the additional purchase and the dilution is a net dilution of 9%

On 18 October 2007, Korab Resources Limited acquired 100,000,000 ordinary shares in Lugansk Gold Limited, thereby acquiring 96.39% of the issued share capital of that entity for a purchase consideration of \$300,000. At the date of the acquisition, there were no assets or liabilities in the acquiree except for the issued share capital.

On 13 February 2008, Lugansk Gold Limited acquired 74% of the ordinary shares in Donetsky Kryazh Limited ('Donetsky'), for a purchase consideration of \$225,000. Donetsky is a company incorporated in Ukraine, which operates in the mineral exploration industry.

The details of the acquisition of Donetsky Kryazh Limited are as follows:

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Purchase consideration	-	225,000	-	-
Cash consideration	-	225,000	-	-
Assets and liabilities held at acquisition date:				
- Cash and cash equivalents	-	771	-	-
- Intangible assets	-	1,842	-	-
- Payables	-	(57,362)	-	-
	-	(54,749)	-	-
Goodwill on consolidation	-	265,514	-	-

**21. CURRENT TAX LIABILITIES**

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
GST payable control account	-	6,210	-	6,210
	-	6,210	-	6,210



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

**22. TRADE AND OTHER PAYABLES**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Current</b>				
Trade payables	750,744	279,632	319,209	53,234
Credit card liability	12,635	4,287	12,635	4,287
PAYG withholding payable	5,700	58,114	3,360	36,832
Superannuation payable	-	16,661	-	13,463
Annual leave	-	-	-	-
Provision for FBT payable	4,046	69,959	4,046	69,959
Share applications received in advance	15,045	7,813	45	395
Other payable	(1,000)	-	-	-
	<b>787,170</b>	<b>436,466</b>	<b>339,295</b>	<b>178,170</b>

**23. LEASE LIABILITIES**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Current liabilities</b>				
Finance lease – motor vehicle	14,650	14,651	14,650	14,651
Less: Unexpired interest charges	(3,668)	(4,377)	(3,668)	(4,377)
	<b>10,982</b>	<b>10,274</b>	<b>10,982</b>	<b>10,274</b>
<b>Non-current liabilities</b>				
Finance lease – motor vehicle	46,508	61,050	46,508	61,050
Less: Unexpired interest charges	(2,692)	(6,361)	(2,692)	(6,361)
	<b>43,816</b>	<b>54,689</b>	<b>43,816</b>	<b>54,689</b>
	<b>54,798</b>	<b>64,963</b>	<b>54,798</b>	<b>64,963</b>

**24. RELATED PARTY PAYABLES**

The following balances are payable to related parties at reporting date:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Uranium Australia Limited	-	-	-	-
Rheingold Investments Pty Ltd	388,316	203,797	388,316	203,797
Chancery Holdings Pty Ltd	62,207	-	62,207	-
Craneford Holdings Pty Ltd	5,100	-	5,100	-
Rodney Skeet	15,000	-	15,000	-
Andrew Teo	10,000	-	-	-
Adamic Pty Ltd	10,000	-	-	-
	<b>490,623</b>	<b>203,797</b>	<b>470,623</b>	<b>203,797</b>

Loans receivable from related parties are unsecured and interest is payable at maturity at a rate shown in the table below.

Further information relating to related party receivables is set out in Note 32.

**Loans to Korab Resources from entities controlled by Related Parties**

Following entities related to the Directors of Korab Resources or Uranium Australia have provided loans to Korab Resources which were outstanding as of 30 June 2009 but are not due for at least 12 months.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

<b>DIRECTOR</b>	<b>LENDER</b>	<b>LOAN</b>	<b>INTEREST RATE</b>
Malcolm J. McKenzie	Chancery Holdings Pty Ltd	\$62,207	7.11%
Andrew Teo	Craneford Holdings Pty Ltd	\$5,100	6.00%
Andrej K. Karpinski	Rheingold Investments Corporation Pty Ltd	\$388,316	8.63%
Rodney Skeet	Rodney Skeet	\$15,000	1.00%
		<u>\$470,623</u>	

**Loans to Uranium Australia from entities controlled by Related Parties**

Following entities related to the Directors of Korab Resources or Uranium Australia have provided loans to Uranium Australia which were outstanding as of 30 June 2009 but are not due for at least 12 months.

<b>DIRECTOR</b>	<b>LENDER</b>	<b>LOAN</b>	<b>INTEREST RATE</b>
Andrew Teo	Andrew Teo	\$10,000	6%
Daniel Smetana	Adamic Pty Ltd	\$10,000	0%
		<u>\$20,000</u>	

**25. OTHER LOANS**

**Loans to Korab Resources from unrelated entities**

Following entities have provided loans to Korab Resources which were outstanding as of 30 June 2009 and were not repayable within at least 12 months

<b>LENDER</b>	<b>LOAN</b>	<b>INTEREST RATE</b>
Minerva Property Holdings Pty Ltd	\$70,172	6.50%
OFFA Pty Ltd	\$254,010	12.00%
	<u>\$324,182</u>	

**Loans to Uranium Australia from unrelated entities**

Following entities have provided loans to Uranium Australia which were outstanding as of 30 June 2009 and were not repayable within at least 12 months

<b>LENDER</b>	<b>LOAN</b>	<b>INTEREST RATE</b>
Minerva Property Holdings Pty Ltd	\$60,406	6.50%

**26. CONTRIBUTED EQUITY**

	<b>Consolidated and Parent Entity 2009</b>		<b>Consolidated and Parent Entity 2008</b>	
	<b>Shares</b>	<b>\$</b>	<b>Shares</b>	<b>\$</b>
<b>Share capital</b>				
<i>Ordinary shares - no par value</i>				
- Fully paid	68,000,000	5,729,391	67,500,000	5,689,391
- Capital raising costs		(265,959)		(265,959)
<b>Total contributed equity – consolidated entity</b>	<u>68,000,000</u>	<u>5,463,432</u>	<u>67,500,000</u>	<u>5,423,432</u>

**Movements in ordinary shares**

<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>Issue price</b>	<b>\$</b>
1-Jul-06	Opening balance	45,000,000		4,114,391
-	-	-		-
30-Jun-07	Balance	<u>45,000,000</u>		<u>4,114,391</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

28-Apr-08	Part of rights issue	14,738,829	\$0.07	1,031,718
5-May-08	Balance of rights issue	7,761,171	\$0.07	543,282
9-Oct-08	Shares issued to acquire exploration data	500,000	\$0.08	40,000
				<u>5,729,391</u>
	Less: Transaction costs arising on shares issued			<u>265,959</u>
<b>30-Jun-09</b>	<b>Closing balance</b>	<b><u>68,000,000</u></b>		<b><u>5,463,432</u></b>

**Ordinary shares**

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

**27. RESERVES**

**Reserves**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Foreign currency translation reserve	(116,163)	564	-	-
	<u>(116,163)</u>	<u>564</u>	<u>-</u>	<u>-</u>

**Movements in reserves**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Foreign currency translation reserve</i>				
Balance at start of period	564	-	-	-
Currency translation differences	(116,727)	564	-	-
Deferred tax impact	-	-	-	-
Balance at the end of period	<u>(116,163)</u>	<u>564</u>	<u>-</u>	<u>-</u>

The foreign currency translation reserve is used to record exchange differences on translation of foreign controlled subsidiaries. The reserve is recognised in the income statement when the investment is disposed of.

**28. RETAINED EARNINGS / (ACCUMULATED LOSSES)**

**Movements in retained earnings**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance at start of period	(613,086)	493,823	(2,097,085)	(1,031,407)
Net profit/(loss) for the year	(1,304,390)	(1,106,909)	(721,667)	(1,065,678)
Movement to minority interest	17,162			
Balance at end of period	<u>(1,900,314)</u>	<u>(613,086)</u>	<u>(2,818,752)</u>	<u>(2,097,085)</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

**29. MINORITY INTERESTS**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Minority interests in:				
Share capital	505,429	456,063	-	-
Reserves	(4,338)	21	-	-
Retained earnings	(324,418)	(157,022)	-	-
Share issue cost	(11,625)		-	-
	<u>165,048</u>	<u>299,062</u>	<u>-</u>	<u>-</u>

**30. FINANCIAL RISK MANAGEMENT**

**General objectives, policies and processes**

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Group. The Group also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the period under review, it has been the Group's policy not to trade in financial instruments

The main risks arising from the Group's financial instruments are interest rate risk and credit risk. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

**Financing arrangements**

The Company does not have any financing facilities other than in respect of finance leases.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2009

**31. CASH FLOW INFORMATION**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Reconciliation of profit/(loss) after income tax to net cash flow from operating activities</b>				
Profit/(loss) for the year	(1,304,390)	(1,223,523)	(721,667)	(1,065,678)
Depreciation and amortisation	39,373	46,016	29,049	42,283
Net (profit)/loss on sale of assets	-	37,000		37,000
Interest expenses classified as financial cost	-		44,376	-
Interest income classified as investing cash flow	-	(60,859)	(5,844)	(46,981)
Non-cash borrowing costs	-			-
Licenses written-off			92,131	
Negative goodwill on acquisition of subsidiaries	-	(990,046)		-
Foreign exchange reserves	(105,030)	564		-
Change in operating assets (net of impact from purchase of controlled entity)				
- (increase)/decrease in prepayments	200,130	27,862	(5,630)	328,706
- (increase)/decrease in current tax receivable	85,649	(45,885)	(6,210)	16,842
- (increase)/decrease in other assets	(597,150)	-		-
- (increase)/decrease in payments for exploration costs and tenements		(719,040)		(456,183)
- increase/(decrease) in trade payables and accruals	92,647	(5,981)	178,170	74,827
- increase/(decrease) in other provisions		-		-
<b>Net cash flow from operating activities</b>	<b>(1,588,771)</b>	<b>(2,933,892)</b>	<b>(395,625)</b>	<b>(1,069,184)</b>

**32. RELATED PARTY TRANSACTIONS**

**Parent entity**

Korab Resources Limited is the ultimate parent entity of the Group.

**Subsidiaries**

Interests in subsidiaries are disclosed in Note 20.

**Key management personnel compensation**

Details of key management personnel compensation are set out in Note 33.

**Transactions with related parties**

The following transactions occurred with related parties:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Payments made to Rheingold Investments Corporation Pty Ltd* for:				
- Management contract fees paid	227,083	500,000	136,250	300,000
- Management contract fees accrued	317,916		190,750	-
Total payments to Rheingold Investments Corporation Pty Ltd	<b>544,999</b>	<b>500,000</b>	<b>327,000</b>	<b>300,000</b>



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

\*A K Karpinski is a director and controlling shareholder of Rheingold Investments Corporation Pty Ltd. Management contract fees form part of remuneration of directors and have been disclosed as such in the directors' report.

In October 2008 Directors and Rheingold have agreed to indefinitely suspended payments of the management contract fees because of the financial crisis which at that time was engulfing the world. As of the date of this report the payments for management contract fees are still suspended. Mr. Karpinski has not received any directors fees from Korab or its subsidiaries since the formation of Korab in March 1998.

**33. KEY MANAGEMENT PERSONNEL DISCLOSURES**

**(a) Compensation**

Details of compensation of the key management personnel of Korab Resources Limited are set out below:

<b>2009</b>	<b>Andrej Karpinski</b>	<b>Derek Lenartowicz</b>	<b>Malcolm McKenzie</b>	<b>Rodney Skeet</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Short-term benefits</b>					
Cash salary paid	136,250*	10,000	0	10,632	156,882
Cash salary accrued	190,750*	1,000	0	15,000	206,750
<b>Post-Employment Benefits</b>					
Pension and superannuation	-	990	3,690	0	4,680
<b>Total</b>	<b>327,000</b>	<b>11,990</b>	<b>3,690</b>	<b>25,632</b>	<b>368,312</b>
<b>2008</b>	\$	\$	\$	\$	\$
<b>Short-term benefits</b>					
Cash salary	300,000*	26,000	13,000	26,000	365,000
<b>Post-Employment Benefits</b>					
Pension and superannuation	27,000	2,340	1,170	2,340	32,850
<b>Total</b>	<b>327,000</b>	<b>28,340</b>	<b>14,170</b>	<b>28,340</b>	<b>397,850</b>

\*This amount comprises executive services fees accrued or paid to Rheingold Investments Corporation Pty Ltd, a company under the control of Andrej Karpinski. In October 2008 Directors and Rheingold have agreed to indefinitely suspended payments of the executive services fees (management contract fees) because of the financial crisis which at that time was engulfing the world. As of the date of this report, the payments for management contract fees are still suspended.

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

**Shareholdings**

Details of equity instruments held directly, indirectly or beneficially by key management personnel and their related parties are included in the directors' report.

**(b) Loans from/to key management persons**

No loans were made to key management personnel of the company during the 2008 and 2009 financial years.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

**34. CONTINGENCIES**

In the opinion of the directors there were no material contingent liabilities that existed as at 30 June 2009. The Executive Service Agreement entered into by Korab Resources Limited with Rheingold Investments Corporation Pty Ltd, was executed in July 2008. Under the Agreement, A K 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 A K Karpinski twelve (12) months' notice. In the event the Company does not require A K Karpinski to work throughout the period of notice, the Company shall tender to A K Karpinski an amount of \$327,000 plus GST. Similar agreement with the same termination clause was also entered into by Uranium Australia Limited with Rheingold Investments Corporation Pty Ltd at a rate of \$218,000 per annum plus GST.

**35. COMMITMENTS**

**Lease commitments**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Non-cancellable finance lease payments</i>				
- Not later than 1 year	14,650	14,651	14,650	14,651
- Later than 1 year and not later than 5 years	46,508	28,081	46,508	28,081
- Longer than 5 years		-		-
	<b>61,158</b>	<b>42,732</b>	<b>61,158</b>	<b>42,732</b>
<i>Non-cancellable operating leases</i>				
Within one year	30,018	30,018	30,018	30,018
Later than one year but not later than 5 years	240,144	270,162	240,144	270,162
Later than 5 years		-		-
	<b>270,162</b>	<b>300,180</b>	<b>270,162</b>	<b>300,180</b>

Finance lease - the Company has entered into a finance lease in relation to the provision of a motor vehicle.

Operating lease – during the 2008 year the Company moved to new premises in South Perth, WA. The lease comprises an initial term of five years with no option to review and commenced on 15 January 2008.

**Mining tenements**

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Annual expenditure commitments to maintain current rights to tenure of mining tenements	1,021,473	3,971,160	1,021,473	3,971,160
Rehabilitation Obligations	20,000	20,000	20,000	20,000
Purchase of exploration licences		125,000		125,000
	<b>1,041,473</b>	<b>4,116,160</b>	<b>1,041,473</b>	<b>4,116,160</b>

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

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
**FOR THE YEAR ENDED 30 JUNE 2009**

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**36. SUBSEQUENT EVENTS**

On 1 September 2009 Korab has issued a notice of Extraordinary General Meeting to be held on 1 October 2009 to approve the distribution of shares in Uranium Australia held by Korab to Korab shareholders.

On 3 September 2009 Korab announcement a Share Purchase Plan (SPP) to eligible Korab shareholders to raise up to \$2,000,000 by issue of up to 10,000,000 shares at 20 cents each. The offer which was opened on 9 September 2009 enabled Korab shareholders to apply for up to \$15,000 worth of Korab shares at an issue price of 20 cent per share.

On 25 September 2009 the SPP offer closed oversubscribed.

Except for the above, in the opinion of the Directors, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.



**DIRECTORS' DECLARATION  
FOR THE YEAR ENDED 30 JUNE 2009**

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The directors of Korab Resources Limited declare that:

1. The financial statements and notes, as set out on pages 24 to 52 are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and economic entity;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view;
3. in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in pages 18 to 21 of the directors' report (as part of the audited remuneration report), for the year ended 30 June 2009, comply with section 300A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



**Andrej K. Karpinski, FAICD, F Fin  
Executive Chairman**

Perth, Western Australia  
30<sup>th</sup> September 2009



**INDEPENDENT AUDIT REPORT  
FOR THE YEAR ENDED 30 JUNE 2009**

**INDEPENDENT AUDITOR'S REPORT**

To the members of Korab Resources Ltd,

**Report on the Financial Report**

We have audited the accompanying financial report of Korab Resources Ltd, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the Korab Resources Ltd and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The Directors of the Korab Resources Ltd are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporation Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

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

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

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the Corporation Act 2001. We confirm that the independence declaration required by the Corporation Act, provided to the directors of the Korab Resources Ltd on 25 September 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.



**INDEPENDENT AUDIT REPORT  
FOR THE YEAR ENDED 30 JUNE 2009**

*Auditor's Opinion*

In our opinion

- (a) the financial report of Korab Resources Ltd is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Korab Resources Ltd's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards.



Cormac Patrick Sharkey CA  
Date: 30<sup>th</sup> September 2009

**CORMAC SHARKEY & CO**

**CHARTERED ACCOUNTANTS**

Level 1, 216 Stirling Highway,

Claremont, W.A. 6010



## CORPORATE GOVERNANCE

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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.

For further information on corporate governance policies adopted by Korab Resources Limited, refer to our website: [www.korabresources.com.au](http://www.korabresources.com.au).

### **BOARD OBJECTIVES**

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

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

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

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

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

### **STRUCTURE OF THE BOARD**

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

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

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

The Board has accepted the ASX Corporate Governance Councils definition of an Independent Director contained their report titled "The Principles of Good Corporate Governance and Best Practice Recommendations – August 2007".

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. There are procedures in place, as agreed by the board, to enable directors to seek independent professional advice on issues arising in the course of their duties at the company's expense.



## CORPORATE GOVERNANCE (Continued)

The term in office held by each director in office at the date of this report is as follows:

<b>Name</b>	<b>Term in office</b>
Andrej K. Karpinski	11 years
Rodney H. J. Skeet	7 years
Malcolm J McKenzie	10 months

**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
- Performance rewards to allow Directors 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 appointment 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 (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 a general meeting are responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

The Board has not yet established an audit committee. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non financial information.

**IDENTIFICATION AND MANAGEMENT OF RISK**

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

**ETHICAL STANDARDS**

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

**CORPORATE GOVERNANCE DISCLOSURES**

During the financial year Korab Resources has complied with each of the 8 Essential Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below:

**BEST PRACTICE RECOMMENDATION**

	<b>Notification of Departure</b>	<b>Explanation of Departure</b>
2.1	Majority of Board not independent directors	The Board has three non-executive directors. The Board does not feel it is cost effective to increase the size of the board to meet this recommendation given the size of the company.
2.4	The Company does not have a Nomination Committee	The Board intends to appoint a Nomination Committee during the 2010 financial year.
4.2	The Company does not have an Audit Committee	The Board intends to appoint an Audit Committee during the 2010 financial year.
8.1	The Company does not have Remuneration Committee	The Board intends to appoint a Remuneration Committee during the 2010 financial year.



ADDITIONAL SHAREHOLDER INFORMATION

SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders listed in the company register as at 23 October 2009 are as follows:

<b>Shareholder</b>	<b>Shares</b>	<b>%</b>
Andrej Karpinski	10,789,275	13,744
Rheingold Investments Corporation Pty Ltd	9,560,725	12.179
Chancery Holdings Pty Ltd	5,696,421	7.257

DISTRIBUTION OF SHAREHOLDERS

The distribution of members and their holdings of equity securities in the Company as at 23 October 2009 were as follows:

<b>Range of holding</b>	<b>Shareholders</b>	<b>Number Of Ordinary</b>	
		<b>Shares</b>	<b>%</b>
1 – 1,000	94	37,924	0.048
1,001 – 5,000	195	624,104	0.795
5,001 – 10,000	197	1,659,077	2.113
10,001 – 100,000	496	18,677,386	23.793
100,001 and over	118	57,501,509	73.250
<b>Totals</b>	<b>1100</b>	<b>78,500,000</b>	<b>100.000</b>

The number of shareholders with less than a marketable parcel of fully paid shares is 198, holding in total 259,547 shares.

VOTING RIGHTS (ORDINARY SHARES)

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.



ADDITIONAL SHAREHOLDER INFORMATION (Continued)

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest shareholders of the fully paid ordinary shares of the Company as at 23 October 2009 are as follows:

<b>Name</b>	<b>Number Of Ordinary Fully Paid Shares</b>	<b>% Held Of Issued Ordinary Capital</b>
Andrej Karpinski	10,789,275	13.744
Rheingold Investments Corporation Pty Ltd	7,260,725	9.249
Chancery Holdings Pty Ltd	3,339,281	4.254
Chancery Holdings Pty Ltd <McKenzie No2 Super Fund A/C>	2,257,140	3.003
Rheingold Investments Corporation Pty Ltd (Super Fund A/C)	2,300,000	2.930
John Morton Hatrick	1,425,000	1.815
Japeka Management Pty Ltd <Japeka Superannuation A/C>	1,220,000	1.554
Selwyn Bruce Hatrick	1,081,818	1.378
HSBC Custody Nominees (Australia) Limited	819,500	1.044
Mr John Akehurst & Mrs Rachel Akehurst	750,000	0.955
Mr Warren Tuckett <Tuckett Super Fund A/C>	700,000	0.892
Tuckett Holdings Pty Ltd <Tuckett Investment A/C>	700,000	0.892
Mr Rodney Henry James Skeet	691,556	0.881
Fiona Teo	675,000	0.860
Colvic Pty Ltd	625,106	0.796
Vector Nominees Pty Limited <The Vector Super Fund A/C>	617,178	0.786
ITC Manufacturing Pty Ltd	585,000	0.745
Offa Pty Ltd	565,000	0.720
Mr Jen Dju Tjia <Jen Dju Tjia Family A/C>	565,000	0.720
Adamic Pty Ltd	551,618	0.703
<b>Totals</b>	<b>37,518,197</b>	<b>47.921</b>

TAX STATUS

The Company is treated as a public company for taxation purposes.

FRANKING CREDITS

The Company has nil franking credits.



SCHEDULE OF MINERAL TENEMENTS

As of 27 October 2009, Korab Resources Limited held equity, or was earning equity in the following tenements:

Tenement	Holder/ Applicant	Equity	Area	Grant Date/ Application Date	Expiry Date	Current Annual Rent	Current Annual Expenditure
<b>Darlot East</b>							
P37/7048	Korab Resources Ltd	100	158.38 HA	27/06/08	26/06/12	\$367.29	\$6,360
P37/7049	Korab Resources Ltd	100	159.64 HA	27/06/08	26/06/12	\$369.60	\$6,400
<b>Maitland</b>							
E53/1210	Redport Exploration Pty Ltd	100	26BL	18/01/07	17/01/12	\$3,083.08	\$26,000
E53/1211	Redport Exploration Pty Ltd	100	25BL	10/01/07	9/01/12	\$2,964.50	\$25,000
P53/1252	Redport Exploration Pty Ltd	100	197HA	31/01/07	30/01/11	\$455.07	\$7,880
P53/1253	Redport Exploration Pty Ltd	100	198HA	31/01/07	30/01/11	\$457.38	\$7,920
P53/1254	Redport Exploration Pty Ltd	100	178HA	31/01/07	30/01/11	\$411.18	\$7,120
P53/1255	Redport Exploration Pty Ltd	100	200HA	31/01/07	30/01/11	\$462.00	\$8,000
P53/1256	Redport Exploration Pty Ltd	100	186HA	31/01/07	30/01/11	\$429.66	\$7,440
P53/1257	Redport Exploration Pty Ltd	100	189HA	31/01/07	30/01/11	\$435.59	\$7,560
P53/1258	Redport Exploration Pty Ltd	100	183HA	31/01/07	30/01/11	\$422.73	\$7,320
P53/1259	Redport Exploration Pty Ltd	100	152HA	31/01/07	30/01/11	\$351.12	\$6,080
P53/1260	Redport Exploration Pty Ltd	100	123HA	31/01/07	30/01/11	\$284.13	\$4,920
P53/1261	Redport Exploration Pty Ltd	100	199HA	31/01/07	30/01/11	\$459.69	\$7,960



SCHEDULE OF MINERAL TENEMENTS

Tenement	Holder/ Applicant	Equity	Area	Grant Date/ Application Date	Expiry Date	Current Annual Rent	Current Annual Expenditure
P53/1262	Redport Exploration Pty Ltd	100	199HA	31/01/07	30/01/11	\$459.69	\$7,960
P53/1263	Redport Exploration Pty Ltd	100	199HA	31/01/07	30/01/11	\$459.69	\$7,960
P53/6943	Redport Exploration Pty Ltd	100	197HA	20/03/07	19/03/11	\$455.07	\$7,880
P53/1324	Redport Exploration Pty Ltd	100	72.89 HA	29/07/08	28/07/09	\$131.40	\$2,920
P53/1336	Redport Exploration Pty Ltd	100	108.90 HA	12/06/08	11/06/09	\$251.79	\$4,360
P53/1337	Redport Exploration Pty Ltd	100	188.60 HA	12/06/08	11/06/09	\$436.59	\$7,560
P53/1338	Redport Exploration Pty Ltd	100	174.68 HA	12/06/08	11/06/09	\$404.25	\$7,000
P53/1339	Redport Exploration Pty Ltd	100	174.66 HA	12/06/08	11/06/09	\$404.25	\$7,000
P53/1340	Redport Exploration Pty Ltd	100	170.34 HA	12/06/08	11/06/09	\$395.01	\$6,840
P53/1341	Redport Exploration Pty Ltd	100	178.93 HA	12/06/08	11/06/09	\$413.49	\$7,160
M53/574	Redport Exploration Pty Ltd	100	11.57 HA	14/01/09	13/01/09	\$187.44	\$10,000
M53/575	Redport Exploration Pty Ltd	100	14.12 HA	14/01/09	13/01/09	\$234.30	\$10,000
M53/578	Redport Exploration Pty Ltd	100	676.67 HA	14/01/09	13/01/09	\$10,574.74	\$67,700
M53/579	Redport Exploration Pty Ltd	100	26.62 HA	27/11/08	26/11/09	\$421.74	\$10,000
<b>Melrose</b>							
E37/794	Korab Resources Ltd	100	9BL	31/03/05	30/03/10	\$1,661.22	\$30,000
M37/108	Korab Resources Ltd	100	11.04 HA	09/07/87	08/07/29	\$187.44	\$10,000
M37/519	Korab Resources Ltd	100	185.28 HA	22/08/95	21/08/16	\$2,905.32	\$18,600
M37/1167	Korab Resources Ltd	100	103HA	14/06/05	13/06/26	\$1,608.86	\$10,300



SCHEDULE OF MINERAL TENEMENTS

Tenement	Holder/ Applicant	Equity	Area	Grant Date/ Application Date	Expiry Date	Current Annual Rent	Current Annual Expenditure
L37/144	Korab Resources Ltd	100	32.68 HA	04/08/06	03/08/27	\$457.38	N/A
L37/145	Korab Resources Ltd	100	56.42 HA	04/08/06	03/08/27	\$790.02	N/A
E37/872	Korab Resources Ltd	100	6BL	21/09/07	20/09/12	\$711.48	\$20,000
<b>Mt Elephant</b>							
E08/1944	Korab Resources Ltd	100	14BL	N/A	N/A	\$1,449.00	\$20,000
E08/2068	Korab Resources Ltd	100	38BL	N/A	N/A	\$4,096.40	\$38,000
<b>Tank Well</b>							
E08/1803	Korab Resources Ltd	100	14BL	N/A	N/A	\$1,337.00	\$20,000
<b>Throssell</b>							
E38/1648	Discovery Capital Ltd	100	70BL	11/01/06	10/01/11	\$12,920.60	\$105,000
E38/1650	Discovery Capital Ltd	100	70BL	11/01/06	10/01/11	\$12,920.60	\$105,000
E38/2278	Richmond Mining Ltd	100	70BL	N/A	N/A	\$7245.00	\$70,000
E38/2279	Richmond Mining Ltd	100	70BL	N/A	N/A	\$7245.00	\$70,000
<b>Green Alligator</b>							
EL24818	Korab Resources Ltd	100	26 Sub Blocks	18/01/06	17/01/12	\$1,144.00	\$50,000
EL25133	Korab Resources Ltd	100	2 Sub Blocks	13/07/06	12/07/12	\$88.00	\$8,000
EL25135	Korab Resources Ltd	100	1 Sub Block	13/07/06	12/07/12	\$44.00	\$8,000
EL25136	Korab Resources Ltd	100	3 Sub Blocks	12/09/06	11/09/12	\$132.00	\$5,200
<b>Batchelor</b>							
SEL24855	Korab Resources Ltd	100	11 Sub Blocks	24/01/06	23/01/10	\$484.00	\$50,000



SCHEDULE OF MINERAL TENEMENTS

Tenement	Holder/ Applicant	Equity	Area	Grant Date/ Application Date	Expiry Date	Current Annual Rent	Current Annual Expenditure
ELA27683	Korab Resources Ltd	100	5 Sub Blocks	02/10/09	N/A	\$55.00	\$12,000
AN495	Korab Resources Ltd	100	2 Sub Blocks	31/01/06	30/01/12	\$88.00	\$15,000
AN515	Korab Resources Ltd	100	1 Sub Blocks	27/09/05	26/09/11	\$880	\$25,000
MLN512	Korab Resources Ltd	100	16HA	19/04/82	31/12/23	\$176.00	N/A
MLN513	Korab Resources Ltd	100	16HA	19/04/82	31/12/23	\$176.00	N/A
MLN514	Korab Resources Ltd	100	16HA	19/04/82	31/12/23	\$176.00	N/A
MLN515	Korab Resources Ltd	100	16HA	19/04/82	31/12/23	\$176.00	N/A
MLN542	Korab Resources Ltd	100	15HA	19/04/82	31/12/23	\$165.00	N/A
MLN543	Korab Resources Ltd	100	15HA	19/04/82	31/12/23	\$165.00	N/A
MLA 27362	Geolsec Phosphate Operations Pty Ltd	100	234.9 HA	25/05/09	N/A	\$2,585.00	N/A

