KORAB RESOURCES LIMITED

ABN 17 082 140 252

INTERIM FINANCIAL REPORT
31 DECEMBER 2018

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DIRECTORS' REPORT

Your directors submit the financial report for Korab Resources Limited ("Korab") and its subsidiaries ("consolidated entity" or "Group") for the half-year ended 31 December 2018.

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

Directors

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

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

Review of Operations

On 25 July 2018 the Company announced that subsidiaries Australian Copper Pty Ltd and Australian Copper Holdings Pty Ltd (together "Auscopper") had executed a term sheet with a third party for the third party to acquire an option to purchase the Mt. Elephant Project ("Project") located in Western Australia. The term sheet is binding upon the parties but is subject to shareholder approval, if required under the ASX Listing Rules, and the third party being admitted to the official list of the ASX. The third party paid Auscopper a $50,000 option fee to acquire an option to purchase the Project. The option term will be 9 months from 21 July 2018. Upon exercise of the option the consideration for the Project will be $500,000 payable in ordinary shares of the third party. Australian Copper Holdings Pty Ltd will be responsible for defending the forfeiture action in respect of one of the Project tenements. Should it be forfeited the third party will have 30 days to decide if it wants to terminate the option. If the third party so terminates the option, Auscopper will refund the third party the $50,000 option fee plus 50% of the exploration expenditure, tenement rent, and local government rates paid for by the third party in respect of the Project.

On 25 July Company announced that its subsidiary Geolsec Phosphate Operations Pty Ltd signed an agreement with a third party (the "Miner") for the Miner to sub-lease the Geolsec phosphate deposit located in the Northern Territory for a fixed monthly fee plus a royalty. The terms of the transaction are as follows:

In exchange to having the rights to quarry the phosphate rock, and explore the Geolsec tenement (the "Tenement") for additional phosphate rock, the Miner will pay Geolsec:

1. Fixed fee of $20,000 per month.
2. Gross royalty of $2/tonne of phosphate rock removed from the Tenement.
3. Interim Additional Royalty of $5/tonne of phosphate rock removed from the Tenement.

The term of the agreement is for a period from 21 July 2018 ("Commencement Date") until the date when the Tenement expires, or otherwise ceases. Geolsec can terminate the agreement at its discretion if the Miner does not achieve the minimum production level of 60,000 tonnes of phosphate rock quarried and removed from the Tenement in any continuous 2 year period. The Miner will be responsible for all Tenement maintenance costs including rent, local government rates, statutory reporting, etc. The Miner will also be responsible for all phosphate quarry permitting, preparation and submission of any mine management plans in respect of the phosphate rock, obtaining any required authorisations, quarry development, quarry operations, phosphate rock sales, payment of statutory royalties levied by the Northern Territory government, phosphate rock marketing and shipping, and the rehabilitation of the Tenement, etc. Geolsec will retain all property rights in the Tenement and will retain the rights to explore for other commodities within the Tenement and to develop any discoveries of all minerals other than phosphate rock. If any Gross Royalty will be payable by the Miner in any particular month, $10,000 of the $20,000 Fixed Fee payable by the Miner for that particular month will count towards the amount of Gross Royalty due for that month. Any Fixed Fees paid in other months will not be affected. Interim Additional Royalty will be initially payable by the Miner for a period of 5 years from the Commencement Date. At the end of the 5 year period Geolsec will advise the Miner of any amounts that were paid or are payable by Geolsec in respect of any third parties claims (if any) regarding phosphate rock production, and any surplus amount over and above these claims (if any) will be split 50-50 between Geolsec and the Miner. If no claims were paid or are payable by Geolsec at the end of the 5 year initial period, the Miner will no longer be required to pay the Interim Additional Royalty to Geolsec.

DIRECTORS' REPORT (continued)

On 6 August 2018, the Company reported that it had decided to withdraw the applications for exploration licences forming the Pilbara project so it can concentrate on the Winchester magnesite project and the adjacent Batchelor polymetallic project (both located in the Northern Territory).

On 12 September 2018 the Company reported in a report titled *"ADDITIONAL INFORMATION - WINCHESTER MAGNESITE FEASIBILITY STUDY UPDATE",* additional information regarding the earnings estimates of potential additional revenue streams from production of caustic calcined magnesia (CCM) and dead burned magnesia (DBM) using output from the Winchester magnesite project as a raw material feed. The information was based on the update to the previously reported feasibility study and concerned the additional financial information as regards the potential earnings that would result from diverting a part or the whole of the raw magnesium carbonate rock to be produced by the Winchester quarry to the toll-treatment processing into CCM and/or DBM. This update was based on the production target initially reported on 21 March 2018, in a report titled *"WINCHESTER MAGNESITE DIRECT SHIPPING ORE FEASIBILITY STUDY RESULTS (EARNINGS, NPV, EBITDA, CAPEX, AND OPEX)".*

The Company confirms that all the material assumptions underpinning the production target in the initial public reports released on 21 March 2018 and 12 September 2018 continue to apply and have not materially changed. The Company further confirms that all the material assumptions underpinning the forecast financial information derived from a production target in the initial public reports released on 21 March 2018 and 12 September 2018 continue to apply and have not materially changed.

The reports can be downloaded directly from the ASX website by either following the links below or by cutting and pasting these links into your browser:

"WINCHESTER MAGNESITE DIRECT SHIPPING ORE FEASIBILITY STUDY RESULTS (EARNINGS, NPV, EBITDA, CAPEX, AND OPEX)" – 21 March 2018

https://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01964262

"WINCHESTER MAGNESITE DIRECT SHIPPING ORE FEASIBILITY STUDY RESULTS (EARNINGS, NPV, EBITDA, CAPEX, AND OPEX)" – 12 September 2018

https://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=02021411

On 30 November 2018 and 4 December 2018 Korab reported that it had expanded the agreement with the operator of Darwin Port to 800,000 tonnes per year to allow for additional volumes of magnesium carbonate rock to be shipped for toll-processing. This rock will be shipped through Darwin Port in addition to DSO magnesium carbonate rock.

The agreement envisages exporting of up to 800,000 tonnes per year of magnesium carbonate rock through Darwin Port East Arm Wharf and includes sub-leasing of the land, access to various port facilities, use of loaders, and other equipment. The Heads of Agreement provides the basis for the of the final port agreement which will allow for shipping of the magnesium carbonate rock through Darwin port. The costs of, and the fees for the sub-leasing of the land, access to various port facilities, use of loaders, and other equipment have not yet been agreed between the Company and Darwin Port. They will be determined in the final port agreement.

East Arm Wharf is a multi-user facility with 4 berths spaced along 865 metres of quay line. Berth 2 is used for bulk ore exports and has a rail mounted dry bulk ship loader. The continuous length of wharf facilitates flexibility in berth allocations to visiting ships. East Arm Wharf can accommodate PANAMAX class bulk carriers up to 75,000 tonnes.

East Arm Wharf has a rail mounted bulk minerals ship loader with a maximum capacity of 2,000 tonnes per hour. Bulk minerals, such as iron ore, magnesium carbonate, or manganese, can be delivered to stockpile areas by haulage trucks, or transferred from rail wagons to the stockpile areas using a dedicated rail dump and conveyor systems. The minerals are transported by truck from the stockpiles to the ship loader truck dump for loading onto bulk carriers.

DIRECTORS' REPORT (continued)

Events subsequent to the end of the reporting period

On 17 January 2019 Korab Group reported that it had executed an agreement with ZM Ropczyce SA ("Ropczyce") regarding an off-take and co-operation with regards to funding, research and development, markets expansion, and development of new products. This followed on the series of meetings with the Ropczyce senior management team and multiple visits by Korab staff to Ropczyce operations in Poland. Under the agreement, the parties want to develop a long-term strategic relationship. The agreement envisages Korab supplying up to 20,000 tonnes (depending on market conditions) per year of Dead Burned Magnesia ("DBM", or "sintered magnesia") to Ropczyce, and Ropczyce providing Korab with R&D support associated with the co-operation under the agreement and also aimed at broadening Ropczyce's product range and markets. The parties allow for capital co-operation in respect of the funding required to develop and expand production of DBM. The terms of the capital co-operation have not been agreed yet. The actual pricing of DBM will be set six-monthly and will be determined in the formal agreement which will be prepared in the future. Ropczyce is a producer and supplier of refractories essential to the production of steel, cement, and glass, as well as in other processes requiring work at high temperatures. Ropczyce is listed on the Warsaw Securities Exchange (GPW) and has been operating since 1975. For the nine months ending 30 September 2018 it had sales of approximately PLN 275 Mln ($102 Mln). The company provides a full product range with a wide spectrum of complex services connected with refractory ceramics across the entire product life cycle, starting from the design and technical advice through the supply of ceramics, installation, and installation supervision until servicing. It currently supplies end users operating in steel, cement, foundries, glass, and non-ferrous metals sectors.

On 29 January 2019, Korab Group reported that it had unexpectedly received several expressions of interest to buy up to 60,000 tonnes per year of low grade CCM and low grade DBM which could be produced (using kilns owned and operated by third parties on toll-processing basis) from the fines resulting from crushing and screening of raw magnesium carbonate rock and from the other low grade material. The fines resulting from crushing and screening and the low grade magnesium carbonate rock were considered by us until now to be a "waste" product. The potential economic impact of this new product stream is still being assessed but a high level preliminary assessment indicates a positive impact. The mining and crushing/screening cost have already been absorbed into the overall costings of the Winchester project operations reported earlier and the cost of toll-processing of this material is relatively low. Therefore the additional revenue stream from processing and sales of what was previously considered a "waste" product appears attractive. The discussions with interested parties are ongoing but are incomplete and details are confidential. There can be no certainty that any agreement or agreements can be reached or that any transaction will eventuate from these discussions. No commercial terms have been agreed between the parties. Accordingly, no investment decision should be made on the basis of this information. Korab will advise the market if and when an agreement or agreements have been reached.

On 18 January 2018, Korab reported the strategy regarding the development of the Winchester project. The overall strategy of Korab is to secure several offtakes for magnesium carbonate rock, CCM, and/or DBM prior to commencing the operations at Winchester. At this point in time, our preference is to have the offtakes being subject to Korab being in a position to quarry the raw material, which means Korab having secured all required permits and approvals, completing the arrangements with relevant stakeholders, and completing the construction of the quarry and the related infrastructure. It is Korab's belief that this approach will reduce the operational and financial risks for the Company. Notwithstanding the above preference, should any of the potential buyers be willing to enter into an offtake agreement which would be binding on the buyer but not on the Korab Group, we would be pleased to enter into such an agreement. Magnesium carbonate, CCM, and DBM markets have undergone significant level of disruption over the last 18 months due to Chinese government focusing on pollution control and environmental protection which resulted in many of the older and more polluting magnesium carbonate quarries and kilns located in China being shut down. This has caused a sharp increase in prices for raw magnesium carbonate rock, CCM, and DBM in the global markets. Korab Group aims to take advantage of this disruption to enter the market as a new supplier of magnesium carbonate rock, CCM, and DBM at the time of reduced overall supply and elevated prices. The Company aims to have the Winchester project in production in the second half of 2019, although this goal is subject to the quarry operator (Ausmag Pty Ltd, a wholly owned subsidiary of Korab) securing all required permits, and approvals, and completing the arrangements with relevant stakeholders.

Events subsequent to the reporting date which are not disclosed in the Directors' Report are disclosed in Note 8 on page 14.

DIRECTORS' REPORT (continued)

Corporate

The Company reported a consolidated loss after taxation for the period of $263,837 (31 December 2017: loss of $189,920), primarily relating to corporate compliance and administration costs of $350,015 (31 December 2017: $296,571).

On 4 October 2018 the Company issued 3,500,000 shares at 2.9 cents per share to raise $101,500 to unrelated exempt investors.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2018.

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

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Andrej K. Karpinski
Executive Chairman

15 March 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Korab Resources Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

Perth, Western Australia	**M R Ohm**
15 March 2019	**Partner**

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Notes	Consolidated 31 December 2018 $	Consolidated 31 December 2017 $
Revenue	2	50,000	-
Finance income		43,182	42,371
Other income		9,900	47,548
Foreign exchange (loss) / gain		(5,040)	1,189
Finance expense		(91,325)	(74,048)
Share-based payments		-	4,000
Other expenses		(5,938)	-
Corporate compliance and administration		(350,015)	(296,571)
Occupancy costs		(20,390)	(21,644)
Contractor expenses capitalised		137,996	128,520
Conference, travel and public relations		(32,207)	(21,285)
Loss before income tax		(263,837)	(189,920)
Income tax expense		-	-
Loss for the half-year		(263,837)	(189,920)
Other comprehensive income for the half-year net of income tax			
Items that may be reclassified to profit or loss			
Exchange difference on translation of foreign operations		-	2
Total comprehensive loss for the half-year		(263,837)	(189,918)
Basic and diluted loss per share (cents per share)		(0.09)	(0.07)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	31 December 2018 $	30 June 2018 $
Current assets			
Cash and cash equivalents		29,702	24,069
Trade and other receivables		169,351	46,710
Total current assets		199,053	70,779
Non-current assets			
Trade and other receivables		1,042,981	1,024,861
Exploration and evaluation	3	2,801,976	2,759,630
Total non-current assets		3,844,957	3,784,491
Total assets		4,044,010	3,855,270
Current liabilities			
Trade and other payables		613,463	389,733
Loans and borrowings		98,733	135,218
Total current liabilities		712,196	524,951
Non-current liabilities			
Loans and borrowings		1,499,879	1,336,047
Total non-current liabilities		1,499,879	1,336,047
Total liabilities		2,212,075	1,860,998
Net assets		1,831,935	1,994,272
Equity			
Contributed equity	4	18,886,955	18,785,455
Foreign currency translation reserve		(997,078)	(997,078)
Non-controlling interest contribution reserve		(1,036,227)	(1,036,227)
Accumulated losses		(15,021,715)	(14,757,878)
Total equity		1,831,935	1,994,272

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Consolidated	Contributed Equity $	Foreign Currency Translation Reserve $	Non-controlling Interest Contribution Reserve $	Option Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2017	18,270,959	(997,078)	(1,036,227)	4,000	(14,267,065)	1,974,589
Loss for the period	-	-	-	-	(189,920)	(189,920)
Exchange differences arising on translation of foreign operations	-	2	-	-	-	2
Total comprehensive loss for the period	-	2	-	-	(189,920)	(189,918)
Transactions with owners in their capacity as owners:						
Shares issued for cash	108,000	-	-	-	-	108,000
Shares issued in extinguishment of debt	133,996	-	-	-	-	133,996
Share based payments	-	-	-	(4,000)	-	(4,000)
Balance at 31 December 2017	18,512,955	(997,076)	(1,036,227)	-	(14,456,985)	2,022,667
Balance at 1 July 2018	18,785,455	(997,078)	(1,036,227)	-	(14,757,878)	1,994,272
Loss for the period	-	-	-	-	(263,837)	(263,837)
Total comprehensive loss for the period	-	-	-	-	(263,837)	(263,837)
Transactions with owners in their capacity as owners:						
Shares issued for cash	101,500	-	-	-	-	101,500
Balance at 31 December 2018	18,886,955	(997,078)	(1,036,227)	-	(15,021,715)	1,831,935

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Consolidated	
	31 December 2018 $	**31 December 2017 $**
Cash flows from operating activities		
Payments to suppliers and employees	(51,741)	(58,405)
Interest received	152	239
Interest paid	(3,364)	(4,347)
Net cash flows (used in) operating activities	(54,953)	(62,513)
Cash flows from investing activities		
Exploration and evaluation expenditure reimbursed	126,983	-
Exploration and evaluation expenditure	(62,107)	(140,199)
Net cash flows from / (used in) investing activities	64,876	(140,199)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	101,500	108,000
Proceeds from borrowings	38,500	143,523
Option fee received	50,000	-
Repayment of advances from other entities	24,910	17,782
Repayments of borrowings	(219,200)	(237,209)
Net cash flows (used in) / from financing activities	(4,290)	32,096
Net increase / (decrease) in cash and cash equivalents	5,633	(170,616)
Cash and cash equivalents at the beginning of the half- year	24,069	299,047
Cash and cash equivalents at the end of the half-year	29,702	128,431

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by Korab Resources Limited and its subsidiaries during or since the end of the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

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

Basis of preparation

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

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

Significant accounting judgments and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2018.

Going concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the group's assets and the discharge of its liabilities in the normal course of business. At balance date, the group had an excess of current liabilities over current assets of $513,143 (30 June 2018: $454,172) and net cash outflows from operations for the period of $54,953 (31 December 2017: $62,513). The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and Interpretations applicable to 31 December 2018

In the period ended 31 December 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting periods beginning on or after 1 July 2018. As a result of this review, the Group has initially applied AASB 9 and AASB 15 from 1 July 2018. Due to the transition methods chosen by the group in applying AASB 9 and AASB 15, comparative information throughout the interim financial statements has not been restated to reflect the requirements of the new standards.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting.

Financial instruments are classified as either held at amortised cost or fair value. Financial instruments are carried at amortised cost if the business model concept can be satisfied. All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are recognised in profit or loss. The AASB 9 impairment model is based on expected loss at day one rather than needing evidence of an incurred loss, which is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information Accordingly, the information presented for 31 December 2017 and 30 June 2018 has not been restated.

AASB 15 Revenue from contracts with Customers

AASB 15 replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised, including in respect of multiple element arrangements.

The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks or rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed. There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative years.

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

Standards and Interpretations in issue not yet adopted

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2018. As a result of this review the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change necessary to Group accounting policies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 2: REVENUE

	Consolidated 6 months ended 31 December 2018 $	6 months ended 31 December 2017 $
Option fee – point in time revenue	50,000	-
	50,000	-

NOTE 3: EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 6 months ended 31 December 2018 $	12 months ended 30 June 2018 $
Areas of interest in the exploration and evaluation phase:		
Cost at beginning of the period	2,759,630	2,244,703
Capitalised contractor expenses	137,996	324,440
Other expenditure capitalised during the period	146,783	335,620
Expenditure reimbursed and reimbursable	(242,433)	-
Cost at end of the period	2,801,976	2,904,763
Impairment expense	-	(145,133)
Carrying amount at the end of the period	2,801,976	2,759,630

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

A third party holds an option to buy tenements forming Mt. Elephant Project from the Group. Under the option agreement, this third party is responsible for all exploration, overheads, and tenement maintenance costs including the shire rates and tenement rent in respect of the tenements forming the Mt. Elephant Project. These costs are included in the expenditure reimbursed and reimbursable.

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

NOTE 4: CONTRIBUTED EQUITY

	Consolidated 6 months ended 31 December 2018 Number	6 months ended 31 December 2018 $	12 months ended 30 June 2018 Number	12 months ended 30 June 2018 $
Movements in ordinary shares on issue				
Balance at beginning of period	303,355,982	18,785,455	288,213,270	18,270,959
Issue of shares for cash	3,500,000	101,500	10,357,143	380,500
Issue of shares in extinguishment of borrowings	-	-	4,785,569	133,996
Balance at end of period	306,855,982	18,886,955	303,355,982	18,785,455

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 5: CONTINGENT LIABILITIES

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

Other than above in the opinion of the directors there were no material changes in contingent liabilities that existed as at 30 June 2018.

NOTE 6: RELATED PARTY TRANSACTIONS

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Consolidated	
	6 months ended 31 December 2018 $	6 months ended 31 December 2017 $
Non-executive directors' fees accrued and converted to loans	39,000	39,000
Non-executive directors' fees paid and payable	39,000	39,000
Management contract fees accrued and converted to loans	163,500	163,500
Management contract fees paid and payable	163,500	163,500

Statement of Financial Position

Mr Andrej Karpinski is a director and controlling shareholder of Rheingold Investments Corporation Pty Ltd ("Rheingold"). For the half-year ended 31 December 2018, Directors suspended payments of the directors' fees payable to non-executive directors and management contract fees payable to Rheingold Investments Corporation Pty Ltd (entity controlled by Andrej K. Karpinski). The directors' fees payable to non-executive directors and the contract management fees payable to Rheingold Investments Corporation Pty Ltd were accrued and later converted to loans. Some of the loans ($151,100) originating from amounts accrued during prior periods have been repaid during the reporting period. Some of the cash loans ($100) provided to the parent entity by Andrej K. Karpinski and his related entities during the prior periods have been repaid during the current period. Andrej K. Karpinski has not received any director's fees since formation of the Company.

The balance of outstanding liabilities to Rheingold, Mr Karpinski and his related entities at period end for loans and unpaid fees is $545,012 (30 June 2018: $486,694) accruing various interest with an average rate of 12.5% pa. The loans and unpaid fees are not payable prior to 31 March 2020. These loans and debt become payable immediately upon change of control of Korab Resources Ltd.

The balance of outstanding liabilities to Mrs. Karpinski, at period end for loan to the parent entity is 75,818 United States Dollars (AU$108,252 at the applicable foreign exchange rate) (30 June 2018: 71,097 United States Dollars, or AU$96,524 at the applicable foreign exchange rate) at an interest rate of 12%. The loan is not payable prior to 31 March 2020. This loan becomes payable immediately on change of control of Korab.

The balance of outstanding liabilities to directors, excluding Mr. Karpinski, and their related entities at period end for loans and directors fees converted to loans to the parent entity and unpaid fees is $678,906 (30 June 2018: $586,928) at an average interest rate of 12%. The loans and unpaid fees are not payable prior to 31 March 2020. Loans originating from amounts accrued during the prior periods have not been repaid during the current period. Some of the cash loans ($18,000) provided to the parent entity during the prior periods have been repaid during the current period.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 7: SEGMENT REPORTING

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

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

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

On 7 January 2019 the Company issued 2,000,000 shares at 2.5 cents per share to raise $50,000 to unrelated exempt investors.

Following the end of the period the Company received a loan of $60,000 from a director. The loan is unsecured and earns interest at 12% per annum.

No other matter or circumstance has arisen since 31 December 2018 that in the opinion of the directors has significantly affected, or may significantly affect in future financial years the Group's operations, the results of those operations, or the Group's state of affairs.

NOTE 9: FINANCIAL INSTRUMENTS

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

DIRECTORS' DECLARATION

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

1. The attached financial statements and notes thereto as set out on pages 6 to 14 are in accordance with the Corporations Act 2001 including:
   a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   b. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year then ended.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Andrej K. Karpinski
Executive Chairman

15 March 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Korab Resources Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Korab Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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ADVISORY AND ACCOUNTING

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

Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R Ohm
Partner

Perth, Western Australia
15 March 2019