ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2006

KORAB RESOURCES LIMITED
ABN 17 082 140 252

CONTENTS

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Andrej K. Karpinski

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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105 St George's Terrace
Perth, Western Australia 6000
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Facsimile: +618 9322 4554
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Website: www.korabresources.com.au

AUDITORS

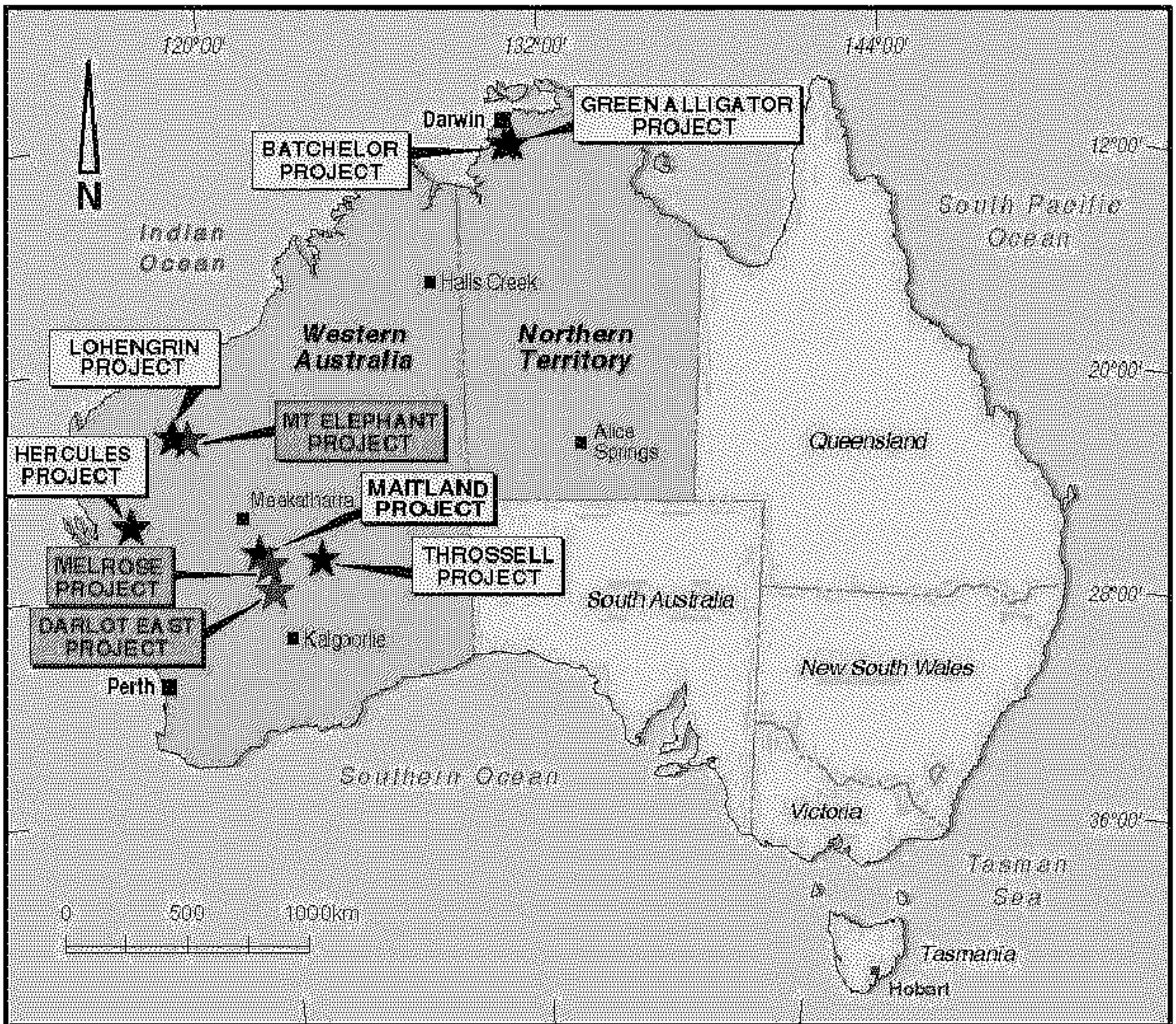
Cormac Sharkey & Co
1st Floor
216 Stirling Highway
Claremont WA 6010

SHARE REGISTRY

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009
PO Box 1156
NEDLANDS WA 6909
Telephone: +618 9389-8033
Facsimile: +618 9389-7871

STOCK EXCHANGE LISTING

The Company is listed on Australian Stock Exchange Limited
Home Exchange - Perth
ASX Code: KOR



Australia
PROJECT LOCATIONS

CHAIRMAN'S REPORT

Dear Shareholder,

The 2005/2006 financial year has seen Korab Resources Limited ("Korab") continue building its portfolio of properties following listing of the Company on Australian Stock Exchange.

On 30 June 2005 the Company had following interests in mineral properties:

1. Darlot East Project (100% owned),
2. Option to acquire Melrose Project from Discovery Capital Limited for $550,000 made up of $50,000 payment and the issue of 5,000,000 fully paid shares in Korab,
3. Batchelor Joint Venture Project (Korab earning 60% by spending $600,000 over 3 years), this agreement was conditional inter-alia upon Korab gaining approval for quotation of its securities on the ASX,
4. Throssell Joint Venture Project (Korab earning 70% by spending $500,000 over 3 years),
5. Mt. Elephant Joint Venture Project (Korab earning 70% by spending 500,000 over 3 years)

On 26 August 2005, the option to acquire Melrose Project was exercised. The Company was admitted to ASX on 26th August 2005 and Korab's securities commenced trading on ASX on 31st August 2005.

In August 2005 Korab has entered into an agreement with View Resources Limited to allow Korab to toll treat ore from the Melrose gold project at a nearby Bronzewing processing plant owned by View.

On 6 September 2005, Korab has announced that following the review of available geophysical survey data the Company has applied for in excess of 1,800 square kilometres of exploration ground stretching west from Mt. Elephant JV over 50 km of strike length. The new project has been named Lohengrin. The Lohengrin Project lies on the axis of a major east northeast-trending aeromagnetic high, which also displays a number of significant offsets, emanating from a highly ferruginous band of metasediments and felsic volcanics of the Capricorn Formation. Korab's exploration program at this project is focused on the potential for unconformity related concentrations of uranium.

On 27 September 2005 Korab has announced that it has entered into an agreement with View Resources Limited to establish Maitland Joint Venture Project covering exploration ground adjacent to the Lake Maitland uranium deposit in Western Australia. The terms of the agreement allow Korab to earn 60% of the equity in the Project by spending $600,000 over 3 years. Maitland JV Project is located in close proximity to Korab's Melrose Project and to View's Bronzewing Project. Once the tenements forming the Maitland JV Project are granted, Korab's exploration program will focus on the potential for concentrations of gold and for calcretic uranium deposits similar to Yeelirrie and Lake Maitland deposits to the west and east (respectively) of the Project.

In January 2006 Korab acquired the 101 square km Green Alligator project adjacent to the Batchelor Joint Venture Project in the Northern Territory. Green Alligator covers the area to the east of the Rum Jungle uranium mine and the Woodcutters base metals mine. In March 2006 Korab secured additional 48 square km of the ground in between the Batchelor and the Green Alligator projects extending the area of the Green Alligator Project to around 150 square kilometres. Sections of the new ground covers the Coomalie Dolomite and Whites Formation units of the Mount Partridge Group. Korab's interest stems from the presence of the units of the Gerowie Tuff and Koolpin Formation within South Alligator Group in the south-western, western sections, and northern areas of the Project and also the presence of the contact between the units of the South Alligator Group and the units of Mount Partridge Group (Whites Formation and Wildman Siltstone) extending along the same sections of the Project. The area is mostly prospective for uranium, gold, zinc, lead, copper and cobalt. The uranium, lead/zinc and lead/copper/cobalt/nickel mineralization occurs at the same stratigraphic horizon, this being the Whites Formation (Black Shale)/Coomalie Dolomite contact. Regionally, the area has been economically productive. Significant deposits have been worked for uranium (U), zinc (Zn), lead (Pb) and gold (Au) (Woodcutters, Rum Jungle) whilst a significant lead, copper (Cu), cobalt (Co) and nickel (Ni) prospect at Brown's is currently the subject of a feasibility study. The uranium mines of Rum Jungle; White's, Dyson's and Rum Jungle Creek South, produced 4,543 tonnes of uranium oxide from White's Formation immediately above the Coomalie Dolomite. The White's and Dyson's deposits were located in an area very close to the prominent Giant's Reef Fault where it brings this contact close to the granitic basement. Weak chlorite alteration is associated with the mineralization.

In June 2006 Korab has received expressions of interest from a multinational resources company interested in exploring the Melrose Project for nickel. This company is currently reviewing Korab's confidential exploration data to assess the appropriateness of establishing a joint venture.

Subsequent to the end of the financial year, Korab has received an expression of interest from a second resources company also interested in potentially establishing a joint venture with Korab. In both cases, their interest in the Melrose Project stems from the presence of ultramafic rocks prospective for nickel mineralisation similar in style to Mt.

Keith nickel project. Mt. Keith nickel deposit is a large, low-grade disseminated sulphide ore body that is open cut mined using conventional drill and blast, load and haul methods. The concentrator uses crushing, grinding and flotation to recover nickel as concentrate. Mt Keith is capable of producing 40 000 tonnes of nickel in concentrate a year. According to its owners, BHP Billiton, the Mt Keith nickel deposit has an open cut mineral resource of 376 million tonnes including 231 million tonnes in measured, 92 million tonnes in indicated and 52 million tonnes in inferred categories at an average grade of 0.52 per cent nickel.

As announced to the market on 14 June 2006, an independent consultant group Hellman and Schofield completed on behalf of Redport Limited an evaluation of the Lake Maitland project which adjoins the Maitland Joint Venture Project (Korab earning 60%). The consultants have also evaluated, on behalf of Redport, the extensions to the uranium mineralisation which continue onto the Maitland Joint Venture Project. This evaluation has shown that the mineralised extensions within Korab's Maitland Joint Venture project contain a JORC compliant Inferred Mineral Resource of 966 tonnes of U_3O_8, based on a 100 parts per million cut-off. At the current U_3O_8 market price of AU$64/lb, the in-situ value of the resource delineated by Hellman and Schofield within the Maitland Joint Venture Project where Korab is earning 60% equity is approximately AU$138 million.

In September 2006 the Company acquired the 8,600 square km Hercules Project 200km east of Carnarvon in Western Australia. Hercules Project is located near the southern margin of the Gascoyne complex at the boundary of the Yilgarn Craton. The area covers the southern part of a lower Proterozoic geosyncline which formed along the northern margin of the Archaean Craton. These rocks were metamorphosised in the late lower Proterozoic to form the Gascoyne province. The lower Proterozoic complex is comprised of metamorphic rocks of sedimentary origin (Morrissey Metamorphics) and felsic intrusive rocks associated with late Proterozoic metamorphism/orogen called the Capricorn Orogen. At the juncture between Morrissey Metamorphics and the Yilgarn Craton metasedimentary rock sequence older than the sequence of the Morrissey suite has been found – the Dunnawah formation. The rocks of greatest interest for uranium exploration occur at the base of the Lower Proterozoic Morrissey Suite, or the "Mooloo formation". Also of interest is the relationship this formation has to the Archaean rocks as well as the depth the present land surface underlies the erosion surface of the middle Proterozoic unconformity (Mt. James Formation).

In addition to building an impressive portfolio of mineral properties with significant uranium, base metals and gold potential (see diagram on page 3), Korab has been progressing its wholly owned Melrose Project in Western Australia with an aim of putting it into production. In the second half of the financial year, Korab has undertaken an in-house scoping study aimed at defining the viable options for development of the JORC compliant gold resource which has been outlined at Melrose. As disclosed in the Korab Prospectus 2005, Melrose Project contains a global resource of 6.67 million tonnes at 1.43g/t gold containing 306,000 ounces. The largest resource is located at the Boundary Deposit where 4.61 million tonnes at 1.37g/t gold (202,000 ounces) have been estimated by an independent consultant. The Bungarra Deposit has an estimated 1.66 million tonnes at 1.64g/t gold (87,000 ounces) and the Stirling deposit contains a further 0.4 million tonnes at 1.31g/t gold (17,000 ounces).The Company is currently finalising the study with the assistance of outside consultants. During the October/November period Korab will be undertaking heap leach tests to determine the viability of on site ore treatment.

During the year your Directors have been continuously reviewing the structure of the Company from the perspective of maximising the value inherent in our projects for our shareholders. As part of this process we have been evaluating various options that would enable Korab to pass-on some of this value directly to our shareholders.

The Directors are currently considering spinning-off into a new listed company of the rights to uranium mineralisation within the projects where Korab has or is earning interest. It is anticipated that should the spin-off proceed, the shareholders in Korab would receive free in-specie distribution of shares in the new listed company and would also have priority to apply for the shares in the IPO. It is anticipated that Korab would retain its equity interest in the tenements forming our projects. Furthermore, it is anticipated that Korab would retain a substantial interest in the new company.

Your Directors are excited about the prospects for future growth of Korab Resources Limited. We aspire to achieve substantial growth of shareholder wealth this financial year and we look forward to your continued support.

Yours sincerely,

Andrej C.K. Karpinski FAICD, F Fin
Executive Chairman
28 September 2006

DIRECTORS' REPORT

The Directors present their report on Korab Resources Limited for the year ended 30 June 2006.

BOARD OF DIRECTORS

The names and details of the Korab Resources Ltd ("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 K. Karpinski, FAICD, F Fin *(Executive Chairman, Director and Company Secretary)*

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, including. 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.

Other Directorships: Rheinemann Ltd

Malcolm J. (John) McKenzie *(Non-Executive Director)*

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 3 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 3 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, appointed to the Board in April 2006)***

Responsibilities: Mr. Lenartowicz contributed extensive project development and mining experience gained over many years of employment with major Australian resources companies at a senior management level.

Qualifications: Mr. Lenartowicz is a mining engineer with significant experience in developing and operating large scale resource projects. From 1997 to 2002 Derek managed Western Mining's flagship nickel operation at Mt Keith in Western Australia (1.7 million tonnes of nickel). During this time, Mt Keith project was recognised as a benchmark for mining efficiency, innovation and cost effective investments. Prior to his engagement with Western Mining, Derek has held senior positions at North Limited and Dominion Mining. His most recent position was as Managing Director of View Resources Limited which owns the Bronzewing mine 40 km to the west of Korab's Melrose gold project.. Derek was appointed Director of Korab in April 2006. He brings to the Company his considerable technical expertise and practical knowledge.

CORPORATE STRUCTURE

DIRECTORS' REPORT

Korab Resources Ltd is a company limited by shares that is incorporated and domiciled in Australia.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the economic entity during the year was mineral exploration and evaluation of the third party mineral properties.

EMPLOYEES

The Company employed no employees other than the directors as at 30 June 2006 (2005: no employees).

REVIEW OF OPERATIONS

To 30 June 2005, Korab had 25,000,000 shares on issue for a paid up capital of $614,391.

On 26th of May 2005 Korab Resources Limited lodged a Prospectus with the ASIC to raise up to $3,000,000 by issue of up to 15,000,000 shares at 20 cents each. The issue of shares under this prospectus closed heavily oversubscribed in August and Korab's securities began trading on ASX on 31st August 2005.

Also on 31st August 2005, 5,000,000 shares were issued to Discovery Capital Limited in consideration for the acquisition of the Melrose Project. As at 30 June 2006, the total number of shares on issue was 45,000,000.

Following the listing Korab has entered into an agreement with View Resources Limited to establish Maitland Joint Venture Project. The project is comprised of the tenements adjacent to the Lake Maitland uranium deposit in Western Australia. Korab will fund $600,000 of exploration expenditure over 3 years to earn 60% of the equity in the tenements.

In September 2005 the Company acquired the Lohengrin Project adjacent to the Mt. Elephant Project south-west of Paraburdoo in Western Australia.

In January 2006 the Company acquired the Green Alligator Project adjacent to the Batchelor Project east of Rum Jungle uranium mine in the Northern Territory.

Subsequent to the end of the financial year, in September 2006 the Company acquired the Hercules Project 200km east of Carnarvon in Western Australia.

As of 25 September 2006 the company held equity, or was earning equity in 9 projects in Western Australia and the Northern Territory.

A more detailed review of the Company's operations during and subsequent to the financial year is set out in the Chairman's Report.

RESULTS OF OPERATIONS

The operating loss after income tax of the economic entity for the year ended 30 June 2006 was $566,270 (2005: $27,603).

The economic entity's basic loss per share for the year was 1.36 cents (2005: 0.11 cent).

No dividend has been paid during or is recommended for the financial year ended 30 June 2006.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the entity during the financial year not otherwise dealt with in this report and the financial statements.

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.

SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since 30 June 2006, which has significantly affected, or may significantly affect the operations of the economic entity, the result of those operations, or the state of affairs of the economic entity in subsequent financial years, other than those referred to in the Chairman's Report.

FINANCIAL POSITION

The net assets of the Company have increased by $2,554,885 from 744,255 on 30 June 2005 to $3,299,140 on 30 June 2006. This largely resulted from the capital raising during the year, the acquisition of the Melrose Project and the capitalisation of exploration expenditure.

The group's working capital, being current assets less current liabilities, has increased from $516,704 in 2005 to $2,034,803 at 30 June 2006.

The directors believe the Company is in a sufficient financial position to further advance its Australian projects.

DIRECTORS' MEETINGS

The number of meetings attended by each of the Directors of the Company during the financial year was:

	Board Meetings	
	Number held and entitled to attend	**Number Attended**
Andrej K. Karpinski	9	9
Malcolm J. (John) McKenzie	9	9
Rodney H. J. Skeet	9	5
Derek Lenartowicz	1	1

ENVIRONMENTAL ISSUES

The Company's exploration activities are subject to the mining acts in the states 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.

PROCEEDINGS ON BEHALF OF THE 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 those proceedings.

SHARES OPTIONS

As at the date of this report, there were no unissued ordinary shares under option (2005: nil).

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. The Executive Chairman's current remuneration package includes base fees, statutory superannuation, the lease of a motor vehicle, a car parking bay and the reimbursement of work-related expenses. The superannuation contribution of $40,560 as set out in the table below includes a prepaid component for the next 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 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 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 6 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.

During the year the Directors were successful in diversifying Korab Resources into a multi-project company by entering into a series of agreements to either acquire, or joint venture into gold, base metals, magnesium and uranium projects in Western Australia and the Northern Territory. By entering into these agreements the Directors have ensured that Korab is well positioned to not only take advantage of the increasing investor interest in gold and uranium exploration companies, but also potentially move from explorer to producer status in a short to medium term. Furthermore, by gaining access to the Batchelor project which contains the 16 million tonne Winchester magnesium deposit, Korab has created an opportunity to leverage the resource financing experience, marketing skills and contacts brought to the Company by Mr. Karpinski and Mr. Skeet.

Details of Remuneration for Year Ended 30 June 2006

Year ended 30/06/2006 Name	Primary: Salary / Fee	Post Employment: Superannuation	Equity: Shares / Options	Other	Total
Andrej K Karpinski	$235,166	$ 40,560	$ 0	$ 6,427	$282,153
Malcolm J McKenzie	$ 22,500	$ 945	$ 0	$ 0	$ 23,445
Rodney H.J. Skeet	$ 22,500	$ 0	$ 0	$ 0	$ 22,500
Derek Lenartowicz	$ 5,000	$ 0	$ 0	$ 0	$ 5,000
TOTAL	$285,166	$ 41,505	$ 0	$ 6,427	$ 333,098

Employment Contracts of Directors and Senior Executives

As at the end of 2006 financial year there were no contracts of employment. The employment conditions of the Executive Chairman, Mr Andrej K. Karpinski, the In-House Legal Counsel, Ms. Jess Dyer and the Financial Controller, Ms. Audra Lee are to be formalised in contract of employment.

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 on 25 Sept 2006	Balance at beginning of year	Exercised	Balance at end of year
Andrej K. Karpinski	10,450,000	230,000	10,680,000	200,000	10,880,000	0	0	0
Malcolm J. (John) McKenzie	3,814,282	100,000	3,914,282	-	3,914,282	0	0	0
Rodney H. J. Skeet	303,703	36,000	339,703	-	339,703	0	0	0
Derek Lenartowicz	0	0	0	0	0	0	0	0

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

From September 2005 to 30 June 2006, the Company carried Directors and Officers insurance (D&O insurance) covering all Directors of the Company. Korab has paid insurance premium of $49,056 for D&O 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.

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 $350

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2006 has been received and immediately follows the Auditors Report.

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.

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 in the annual report.

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

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

Perth, Western Australia
28th September 2006

CORPORATE GOVERNANCE STATEMENT

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

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

Board Objectives

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

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

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

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

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

Structure of the Board

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

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

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

The Board has 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 – March 2003".

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.

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

Name	**Term in office**
Andrej K. Karpinski	8 years
Malcolm J. (John) McKenzie	4 years
Rodney H. J. Skeet	4 years

Derek Lenartowicz	5 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 their only being three in total. The Chairman will undertake an annual assessment of the performance of the individual directors and meet privately with each director to discuss this assessment.

Remuneration Arrangements

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

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

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

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

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

Audit Committee

The shareholders in 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 10 Essential Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below:

Best Practice Recommendation

	Notification of Departure	Explanation of Departure
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 2007 financial year.
4.3	The Company does not have an Audit Committee	The Board intends to appoint an Audit Committee during 2007 financial year.
9.2	The Company does not have Remuneration Committee	The Board intends to appoint a Remuneration Committee during 2007 financial year.

ASX ADDITIONAL INFORMATION

Additional information required by Australian Stock Exchange Limited and not shown elsewhere in this Annual Report is as follows. The information is made up to 27 September 2006.

DISTRIBUTION OF SHAREHOLDERS

	Fully Paid Ordinary Shares	
	No. of Holders	No. of Shares
1-1,000	7	2,315
1,001 - 5,000	90	334,633
5,001 - 10,000	193	1,815,480
10,001 - 100,000	239	8,474,824
100,001 and over	39	34,372,748
	568	**45,000,000**

HOLDERS OF NONMARKETABLE PARCELS

As of 25 October 2005 there were 11 fully paid ordinary shareholders who hold less than a marketable parcel of 1,725 shares.

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of ordinary shares are:

Number	Share Holder	Ordinary Shares	
		Shares Held	% Held
1	Andrej Kazimierz Karpinski	7,142,850	15.87
2	Discovery Capital Ltd	5,000,000	11.11
3	Chancery Holdings Pty Ltd	3,814,281	8.48
4	Rheingold Investments Corporation Pty Ltd	3,307,150	7.35
5	Mulloway Pty Ltd	2,764,284	6.14
6	Mr John Akehurst & Mrs Rachel Akehurst	1,500,000	3.33
7	Mulloway Pty Ltd	1,024,101	2.28
8	Ireneusz Mrowka	680,000	1.51
9	Japeka Management Pty Ltd	642,871	1.43
10	Japeka Management Pty Ltd <Superannuation>	590,000	1.31
11	ITC Manufacturing Pty Ltd	510,000	1.13
12	Perth Select Seafoods Pty Ltd	500,000	1.11
13	Mulloway Pty Ltd <Family A/c>	500,000	1.11
14	Offa Pty Ltd	490,000	1.09
15	Fiona Teo	450,000	1.00
16	Duncraig Investment Services Pty Ltd	450,000	1.00
17	Rheingold Investments Corp Pty Ltd	430,000	0.96
18	Corporate Systems Publishing Pty Ltd	330,000	0.73
19	Adamic Pty Ltd	314,412	0.70
20	Rodney Henry James Skeet	303,704	0.68
		30,443,653	67.65
Total ordinary shares		45,000,000	

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders as of 25 September 2006 are:

Share Holder	Ordinary Shares	
	Shares Held	% Held
Andrej Kazimierz Karpinski	7,142,850	15.87
Discovery Capital Ltd	5,000,000	11.11
Mulloway Pty Ltd	4,288,385	9.53
Chancery Holdings Pty Ltd	3,814,281	8.48

Rheingold Investments Corporation Pty Ltd	3,737,150	8.30

VOTING RIGHTS

Ordinary Shares - On a show of hands, every member present in person or by proxy shall have one vote and, upon a poll, each share shall have one vote.

TAX STATUS

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

FRANKING CREDITS

The Company has nil franking credits.

TENEMENT SCHEDULE

As of 25 September 2006, Korab Resources Limited held equity, or was earning equity in the following tenements:

Tenement	Registered Holder/Applicant	Equity Held	Grant Date/ (Application Date)	Expiry Date	Area	Current Annual Rent (incl GST)	Current Annual Expenditure
Darlot East							
P 37/4772	Korab Resources Ltd	100 %	13.10.93	N/A	177.00 ha	$ 350.46	$ 7,080
P 37/4773	Korab Resources Ltd	100 %	13.10.93	N/A	188.00 ha	$ 372.24	$ 7,520
M 37/832	Korab Resources Ltd	100 %	9.10.97		368.00 ha	$ 3,680.00	$ 36,800
Hercules							
E 09/1357	Korab Resources Ltd	Pending	(1.09.06)		145 blks	$ 13,847.00	$ 145,000
E 09/1358	Korab Resources Ltd	Pending	(5.09.06)		194 blks	$ 18,527.00	$ 194,000
E 09/1369	Korab Resources Ltd	Pending	(13.09.06)		200 blks	$ 19,000.00	$ 200,000
E 09/1370	Korab Resources Ltd	Pending	(13.09.06)		200 blks	$ 19,000.00	$ 200,000
E 09/1371	Korab Resources Ltd	Pending	(13.09.06)		200 blks	$ 19,000.00	$ 200,000
E 09/1372	Korab Resources Ltd	Pending	(13.09.06)		200 blks	$ 19,000.00	$ 200,000
E 09/1373	Korab Resources Ltd	Pending	(13.09.06)		200 blks	$ 19,000.00	$ 200,000
E 09/1374	Korab Resources Ltd	Pending	(13.09.06)		200 blks	$ 19,000.00	$ 200,000
E 09/1375	Korab Resources Ltd	Pending	(13.09.06)		200 blks	$ 19,000.00	$ 200,000
E 09/1376	Korab Resources Ltd	Pending	(15.09.06)		89 blks	$ 8,499.50	$ 89,000
E 09/1377	Korab Resources Ltd	Pending	(15.09.06)		17 blks	$ 1,623.50	$ 20,000
E 09/1378	Korab Resources Ltd	Pending	(15.09.06)		117 blks	$ 11,173.50	$ 117,000
E 09/1379	Korab Resources Ltd	Pending	(15.09.06)		56 blks	$ 5,348.00	$ 56,000
E 09/1380	Korab Resources Ltd	Pending	(15.09.060		19 blks	$ 1,814.50	$ 20,000
E 09/1381	Korab Resources Ltd	Pending	(15.09.06)		61 blks	$ 5,825.50	$ 61,000
E 09/1383	Korab Resources Ltd	Pending	(18.09.06)		200 blks	$ 19,100.00	$ 200,000
E 52/1991	Korab Resources Ltd	Pending	(15.09.06)		87 blks	$ 8,308.50	$ 87,000
E 52/1992	Korab Resources Ltd	Pending	(15.09.06)		160 blks	$ 15,280.00	$ 160,000
E 52/1993	Korab Resources Ltd	Pending	(15.09.06)		141 blks	$ 13,465.50	$ 141,000
E 52/1994	Korab Resources Ltd	Pending	(15.09.06)		107 blks	$ 10,218.50	$ 107,000
Lohengrin							
E 08/1567	Korab Resources Ltd	100 %	4.08.06	3.08.11	70 blks	$ 7,353.50	$ 70,000
E 08/1569	Korab Resources Ltd	100 %	1.08.06	3.08.11	67 blks	$ 7,038.35	$ 67,000

Tenement	Registered Holder/Applicant	Equity Held	Grant Date/ (Application Date)	Expiry Date	Area	Current Annual Rent (incl GST)	Current Annual Expenditure
E 08/1565	Korab Resources Ltd	Pending	(16.08.05)		69 blks	$ 6,361.80	$ 62,100
E 08/1566	Korab Resources Ltd	Pending	(16.08.05)		60 blks	$ 5,532.00	$ 54,000
E 08/1568	Korab Resources Ltd	Pending	(16.08.05)		68 blks	$ 6,269.60	$ 61,200
E 08/1570	Korab Resources Ltd	Pending	(16.08.05)		49 blks	$ 4,517.80	$ 44,100
E 08/1571	Korab Resources Ltd	Pending	(19.08.05)		68 blks	$ 6,269.60	$ 61,200
E 08/1572	Korab Resources Ltd	Pending	(19.08.05)		70 blks	$ 6,454.00	$ 63,000
E 08/1573	Korab Resources Ltd	Pending	(19.08.05)		66 blks	$ 6,085.20	$ 59,400
E 08/1574	Korab Resources Ltd	Pending	(19.08.05)		70 blks	$ 6,454.00	$ 63,000
Maitland							
M 53/571	Newmont Yandal Operations	Pending	(19.02.97)		866.90 ha	$ 8,670.00	$ 86,700
M 53/572	Newmont Yandal Operations	Pending	(19.02.97)		975.57 ha	$ 9,760.00	$ 97,600
M 53/573	Newmont Yandal Operations	Pending	(19.02.97)		952.64 ha	$ 9,530.00	$ 95,300
M 53/574	Newmont Yandal Operations	Pending	(19.02.97)		962.63 ha	$ 9,630.00	$ 96,300
M 53/575	Newmont Yandal Operations	Pending	(19.02.97)		890.60 ha	$ 8,910.00	$ 89,100
M 53/576	Newmont Yandal Operations	Pending	(19.02.97)		970.41 ha	$ 9,710.00	$ 97,100
M 53/577	Newmont Yandal Operations	Pending	(19.02.97)		965.44 ha	$ 9,660.00	$ 96,600
M 53/578	Newmont Yandal Operations	Pending	(19.02.97)		879.90 ha	$ 8,800.00	$ 88,000
M 53/579	Newmont Yandal Operations	Pending	(19.02.97)		704.50 ha	$ 8,050.00	$ 70,500
M 53/580	Newmont Yandal Operations	Pending	(26.02.97)		991.30 ha	$ 9,920.00	$ 99,200
M 53/581	Newmont Yandal Operations	Pending	(26.02.97)		997.50 ha	$ 9,980.00	$ 99,800
M 53/582	Newmont Yandal Operations	Pending	(26.02.97)		997.50 ha	$ 9,980.00	$ 99,800
M 53/583	Newmont Yandal Operations	Pending	(26.02.97)		997.50 ha	$ 9,980.00	$ 99,800
M 53/584	Newmont Yandal Operations	Pending	(26.02.97)		995.75 ha	$ 9,960.00	$ 99,600
M 53/585	Newmont Yandal Operations	Pending	(26.02.97)		932.93 ha	$ 9,320.00	$ 93,200
M 53/586	Newmont Yandal Operations	Pending	(26.02.97)		989.41 ha	$ 9,900.00	$ 99,000
M 53/587	Newmont Yandal Operations	Pending	(26.02.97)		973.77 ha	$ 9,740.00	$ 97,400
E 53/1210	Newmont Yandal Operations	Pending	(10.02.06)		26 blks	$ 2,397.20	$ 26,000
E 53/1211	Newmont Yandal Operations	Pending	(10.02.06)		25 blks	$ 2,305.00	$ 25,000
P 53/1252	Newmont Yandal Operations	Pending	(29.03.06)		197.00 ha	$ 334.90	$ 7,880
P 53/1253	Newmont Yandal Operations	Pending	(29.03.06)		198.00 ha	$ 336.80	$ 7,920

Tenement	Registered Holder/Applicant	Equity Held	Grant Date/ (Application Date)	Expiry Date	Area	Current Annual Rent (incl GST)	Current Annual Expenditure
P 53/1254	Newmont Yandal Operations	Pending	(29.03.06)		178.00 ha	$ 302.60	$ 7,120
P 53/1255	Newmont Yandal Operations	Pending	(29.03.06)		200.00 ha	$ 340.00	$ 8,000
P 53/1256	Newmont Yandal Operations	Pending	(29.03.06)		186.00 ha	$ 316.20	$ 7,440
P 53/1257	Newmont Yandal Operations	Pending	(29.03.06)		189.00 ha	$ 321.30	$ 7,560
P 53/1258	Newmont Yandal Operations	Pending	(29.03.06)		183.00 ha	$ 311.10	$ 7,320
P 53/1259	Newmont Yandal Operations	Pending	(29.03.06)		152.00 ha	$ 258.40	$ 6,080
P 53/1260	Newmont Yandal Operations	Pending	(29.03.06)		123.00 ha	$ 209.10	$ 4,920
P 53/1261	Newmont Yandal Operations	Pending	(29.03.06)		199.00 ha	$ 338.30	$ 7,960
P 53/1262	Newmont Yandal Operations	Pending	(29.03.06)		199.00 ha	$ 338.30	$ 7,960
P 53/1263	Newmont Yandal Operations	Pending	(29.03.06)		199.00 ha	$ 338.30	$ 7,960
P 37/6943	Newmont Yandal Operations	Pending	(10.02.06)		197.00 ha	$ 334.90	$ 7,880
Melrose							
E 37/769	Bounty Industries Ltd	100 %	24.09.04	23.09.09	69 blks	$ 7,248.45	$ 62,100
E 37/794	Bounty Industries Ltd	100 %	31.03.05	30.03.10	18 blks	$ 1,890.90	$ 20,000
M 37/108	Bounty Industries Ltd	100 %	9.07.87	8.07.08	11.04 ha	$ 166.32	$ 10,000
M 37/519	Bounty Industries Ltd	100 %	22.08.95	22.08.16	185.28 ha	$ 2,577.96	$ 18,600
M 37/1167	Bounty Industries Ltd	100 %	14.06.05	13.06.26	103.00 ha	$ 1,427.58	$ 10,300
L 37/144	Korab Resources Ltd	100 %	4.08.06	3.08.27	32.68 ha	$ 406.56	N/A
L 37/145	Korab Resources Ltd	100 %	4.08.06	3.08.27	56.42 ha	$ 702.24	N/A
L 37/146	Korab Resources Ltd	Pending	3.01.06		47.21 ha	$ 518.40	N/A
L 37/147	Korab Resources Ltd	Pending	(3.01.06)		49.49 ha	$ 540.00	N/A
E 37/1872	Korab Resources Ltd	Pending	(21.08.06)		6 blks	$ 573.00	$ 20,000
E 53/1261	Korab Resources Ltd	Pending	(21.08.06)		57 blks	$ 5,443.50	$ 57,000
E 53/1262	Korab Resources Ltd	Pending	(21.08.06)		19 blks	$ 1,814.50	$ 20,000
Mt Elephant							
E 08/1378	Renaissance Corp	100 %	20.11.03	19.11.08	10 blks	$ 1,634.60	$ 20,000
E 08/1379	Renaissance Corp	100 %	20.11.03	19.11.08	18 blks	$ 2,942.28	$ 20,000
Throssell							
E 38/1648	Bounty Industries Ltd	100 %	11.01.06	10.01.11	70 blks	$ 7,353.50	$ 63,000
E 38/1650	Bounty Industries Ltd	100 %	11.01.06	10.01.11	70 blks	$ 7,353.50	$ 63,000

Tenement	Registered Holder/Applicant	Equity Held	Grant Date/ (Application Date)	Expiry Date	Area	Current Annual Rent (incl GST)	Current Annual Expenditure
E 38/1649	Bounty Industries Ltd	Pending	8.01.04		70 blks	$ 6,118.00	$ 63,000
E 38/1651	Bounty Industries Ltd	Pending	8.01.04		70 blks	$ 6,118.00	$ 63,000

KORAB RESOURCES LIMITED
A.C.N. 082 140 252

Financial Statements
For the year ended 30 June, 2006

KORAB RESOURCES LIMITED A.C.N. 082 140 252

Income Statement

For the year ended 30 June, 2006

	Note	2006 $	2005 $
Interest income		122,576	2,655
Total revenue		**122,576**	**2,655**
Borrowing costs expense		-531	-66
Employee expenses		-19,418	0
Non-executive directors' fees		-50,000	0
Corporate advisory expenses		-60,227	0
Conference, travel and public relations		-61,549	-13,990
Depreciation expense		-3,900	-320
Insurance expenses		-51,758	0
Management contract fees		-275,726	0
Office rent and outgoings		-15,773	-1,658
Other expenses from ordinary activities		-149,964	-14,223
Profit (loss) from ordinary activities before income tax	2	**-566,270**	**-27,603**
Income tax revenue relating to ordinary activities		0	0
Net profit (loss) attributable to members of the company		**-566,270**	**-27,603**
Opening retained profits / (losses)		-61,872	-34,269
Net profit (loss) attributable to members of the company		-566,270	-27,603
Closing retained profits / (losses)		**-628,142**	**-61,872**
		Cents	Cents
Basic earnings / (loss) per share	13	-1.36	-0.11

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

The accompanying notes form part of these financial statements.

KORAB RESOURCES LIMITED A.C.N. 082 140 252

Balance Sheet
As At 30 June, 2006

	Note	2006 $	2005 $
Current Assets			
Cash assets	3	2,078,189	536,868
Current tax assets	4	29,360	564
Other	5	12,330	49
Total Current Assets		**2,119,878**	**537,480**
Non-Current Assets			
Plant and equipment	6	15,440	535
Leased motor vehicle	7	75,717	0
Intangible assets	8	1,245,669	225,574
Other	5	1,929	1,442
Total Non-Current Assets		**1,338,755**	**227,551**
Total Assets		**3,458,633**	**765,031**
Current Liabilities			
Payables	9	54,645	20,776
Finance Lease - Motor Vehicle	10	9,012	0
Other	11	21,418	0
Total Current Liabilities		**85,075**	**20,776**
Non-current Liabilities			
Finance Lease - Motor Vehicle	10	74,418	0
Total Non-current Liabilities		**74,418**	**0**
Total Liabilities		**159,493**	**20,776**
Net Assets		**3,299,140**	**744,255**
Equity			
Contributed equity	12	3,927,282	806,126
Retained profits / (Accumulated losses)		-628,142	-61,872
Total Equity		**3,299,140**	**744,255**

The accompanying notes form part of these financial statements.

KORAB RESOURCES LIMITED A.C.N. 082 140 252

Statement of Changes in Equity

For the year ended 30 June, 2006

	Share Capital $	Accumulated Losses $	Total $
Balance at 01 July 2005	806,127	-61,872	744,255
Shares issued during the period	3,500,000	0	3,500,000
Share applications received in previous year	-272,000	0	-272,000
Transactions costs incurred on issuance of shares	-106,844	0	-106,844
Loss for the year	0	-566,270	-566,270
Balance at 30 June 2006	**3,927,282**	**-628,142**	**3,299,141**

	Share Capital $	Accumulated Losses $	Total $
Balance at 01 July 2004	258,284	-34,269	224,015
Shares issued during the period	356,107	0	356,107
Transactions costs incurred on issuance of shares	-80,264	0	-80,264
Share applications received pending allotment	272,000	0	272,000
Loss for the year	0	-27,603	-27,603
Balance at 30 June 2005	**806,127**	**-61,872**	**744,255**

The accompanying notes form part of these financial statements.

KORAB RESOURCES LIMITED A.C.N. 082 140 252

Cash Flow Statement

For the year ended 30 June, 2006

	2006 $	2005 $
Cash Flow From Operating Activities		
Payments to suppliers and employees	-663,545	-17,606
Payments for exploration costs and tenements	-520,095	-14,930
Interest received	122,576	2,655
Interest and other costs of finance	-523	-66
Net cash provided by (used in) operating activities (note 2)	**-1,061,587**	**-29,947**
Cash Flow From Investing Activities		
Payment for:		
Payments for plant and equipment	-17,523	0
Payments for lease of motor vehicle	-725	0
Net cash provided by (used in) investing activities	-18,248	0
Cash Flow From Financing Activities		
Proceeds of issue of shares	2,728,000	628,107
Share issue expenses	-106,844	-80,264
Repayment of borrowings	0	-12,000
Net cash provided by (used in) financing activities	2,621,156	535,842
Net increase (decrease) in cash held	1,541,321	505,896
Cash at the beginning of the year	536,868	30,972
Cash at the end of the year (note 1)	**2,078,189**	**536,868**

The accompanying notes form part of these financial statements.

KORAB RESOURCES LIMITED A.C.N. 082 140 252
Cash Flow Statement
For the year ended 30 June, 2006

	2006 $	2005 $

Note 1. Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	2006 $	2005 $
NAB Business Cheque Account	10,033	264,769
NAB Cash Management Account	2,043,506	272,099
NAB Share Issue Account	24,650	0
	2,078,189	**536,868**

Note 2. Reconciliation of Net Cash Provided By/Used In Operating Activities to Operating Profit After Income Tax

	2006 $	2005 $
Reconciliation of profit for the year to net cash flows from operating activities:		
Operating profit (loss) after income tax	-566,270	-27,603
Depreciation	3,900	320
Non-cash borrowing costs	8	0
Movements in operating assets and liabilities:		
(Increase) decrease in current tax receivable - total	-28,796	-2,218
(Increase) decrease in current tax receivable - non cash	6,659	0
(Increase) decrease in prepayments	-12,281	0
(Increase) decrease in payments for exploration costs and tenements	-520,095	-14,930
Increase (decrease) in trade creditors and accruals	33,869	14,484
Increase (decrease) in other payables	21,418	0
Net cash provided by (used in) operating activities	**-1,061,587**	**-29,947**

The accompanying notes form part of these financial statements.

Note 1: Statement of Significant Account Policies

This financial report is a general purpose financial report prepared in order to satisfy the financial report preparation requirements of the Corporations Act 2001.

KORAB RESOURCES LIMITED is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared in accordance with the requirements of the Corporations Act 2001, the Australian equivalents to International Financial Reporting Standards (AIFRS), Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

This is the first annual financial report prepared under Australian equivalents to IFRS, while the 2005 annual report was presented under previous Australian GAAP. However, the accounting policies applied are consistent and therefore no adjustments are required.

The financial report is based on historic costs and does not take into account changing money values, or except where specifically stated, current valuations of non-current assets.

The following material accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation and presentation of the financial report:

(a) Cash

For the purpose of the cash flow statement, cash includes cash on hand and in all call deposits with banks or financial institutions, and investments in money market instruments maturing within two months.

(b) Plant and Equipment

Plant and equipment are carried at cost less, where applicable, any accumulated depreciation.

Depreciation of plant and equipment is calculated using the straight line and diminishing value methods to allocate their costs over their useful lives, as follows:
- Plant and equipment 2 - 5 years

Depreciation of motor vehicle is calculated using the straight line method over the shorter of its lease term and useful life, as follows:
- Motor vehicle 5 years

(c) Exploration Costs and Mining Tenement Licences

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

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These costs will be carried forward until it is possible to reliably carry out impairment testing on the values of the individual licences and leases.

(d) Impairment of assets

At the end of each reporting period the Company reviews assets with the objective of ensuring that the assets are carried at no more than their recoverable amount.

Recoverable amount is the higher of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount is estimated to be less than its carrying value, the carrying value will be reduced to its recoverable amount, and an impairment loss will immediately be recognised in profit or loss.

(e) Rehabilitation Provision

The net present value of the expected future cost of restoration works is provided for at the time the Company performs activities that necessitate rehabilitation works. If the rehabilitation is associated with exploration and evaluation activities the expected costs are expensed, and if the works are associated with mine development activities, the expected costs are added to the asset value and depreciated.

(f) Payables

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

(g) Leases

Leases in which substantially all the risks and rewards incidental to ownership are transferred to the lessee are classified as finance leases. Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(h) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

(i) Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in respect of the taxable profit or tax loss for the period. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The benefit of income tax losses will only be obtained if:

(i) the Company derives future assessable income of a nature and of an amount to enable the benefit from the deductions for the losses to be realised;

(ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) no changes in tax legislation adversely affect the Company in realising benefit from the deduction from the losses.

	2006 $	2005 $

Note 2: Profit from Ordinary Activities

Profit (loss) from ordinary activities before income tax has been determined after:

	2006 $	2005 $
Charging as Expense:		
Borrowing costs:		
- Other persons	-	66
- Banks and other financial institutions	531	-
Total borrowing costs	531	66
Depreciation of non-current assets:		
- Plant and equipment	2,617	320
- Leased motor vehicle	1,283	-
Total depreciation expenses	3,900	320
	4,431	**386**

Note 3: Cash assets

	2006 $	2005 $
Bank accounts:		
- NAB Business Cheque Account	10,033	264,769
- NAB Share Issue Account	24,650	272,099
- NAB Cash Management Account	2,043,506	-
	2,078,189	**536,868**

Reconciliation of Cash:

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2006 $	2005 $
- Cash balance as above	2,078,189	536,868
- Cash balance as per cash flow statement	**2,078,189**	**536,868**

Note 4: Tax Assets

	2006 $	2005 $
Current		
GST receivable control account	29,360	564
	29,360	**564**

	2006 $	2005 $

Note 5: Other Assets

	2006 $	2005 $
Current		
Prepayments	12,281	-
Withholding tax	49	49
	12,330	**49**
Non Current		
Preliminary expenses	1,442	1,442
Less: accumulated amortisation	-	-
	1,442	**1,442**
Borrowing costs - finance lease	496	-
Less: accumulated amortisation	-8	-
	487	**-**
	1,929	**1,442**

Note 6: Plant and Equipment

	2006 $	2005 $
Plant and equipment:		
- At cost	18,676	1,154
- Less: Accumulated depreciation	-3,236	-619
	15,440	**535**

Note 7: Leased Motor Vehicle

	2006 $	2005 $
Leased motor vehicle:		
- At cost	77,000	-
- Less: Accumulated depreciation	-1,283	-
	75,717	**-**

	2006 $	2005 $

Note 8: Intangible Assets

	2006 $	2005 $
Other intangibles:		
- Interest in mining licences at cost	744,964	161,964
- Exploration costs capitalised	500,705	63,610
	1,245,669	**225,574**

Note 9: Payables

	2006 $	2005 $
Unsecured:		
- Trade creditors	47,788	20,776
- PAYG withholding payable	6,048	-
- Superannuation payable	809	-
	54,645	**20,776**

Note 10: Finance Lease - Motor Vehicle

	2006 $	2005 $
Current Liabilities		
Finance lease - motor vehicle	14,651	-
Less: Unexp. interest charges	-5,639	-
	9,012	**-**
Non-Current Liabilities		
Finance lease - motor vehicle	90,188	-
Less: Unexp. interest charges	-15,770	-
	74,418	**-**

Note 11: Other Liabilities

	2006 $	2005 $
Current		
Other amounts payable	21,418	-
	21,418	**-**

	2006 $	2005 $

Note 12: Contributed Capital

	2006 $	2005 $
20,724,244 Ordinary shares at $0.01 fully paid	207,242	207,242
408,543 Ordinary shares at $0.05 fully paid	20,427	20,427
8,867,212 Ordinary shares at $0.10 fully paid #	886,721	386,721
15,000,000 Ordinary shares at $0.20 fully paid *	3,000,000	-
Total Ordinary shares fully paid	4,114,391	614,391
Share applications received @ $0.20 each	-	272,000
Less: Share issue costs	-187,109	-80,264
	3,927,282	**806,127**

Ordinary shares at $0.10 include a non-cash issue of 5,000,000 shares on 31 August 2005 to Discovery Capital Limited in consideration for the acquisition of the Melrose Project.

* On 26 May 2005, the company lodged its prospectus with the Australian Securities and Investment Commission (ASIC) with a maximum of 15,000,000 shares on offer to the public at a subscription price of $0.20 per share. The offer closed on 01 July 2005 fully subscribed, the company was admitted onto the Australian Stock Exchange on 26 August 2005 and listed on 31 August 2005.

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	2006 $	2005 $

Note 13: Earnings Per Share

	2006	2005
Basic Earnings per share (in cents)	-1.36	-0.11

The following reflects the income and share data used in the calculation of basic earnings per share:

Income Data	**2006** $	**2005** $
Profit (Loss) for the year	-566,270	-27,603
Earnings used in the calculation of basic earnings per share	**-566,270**	**-27,603**

	2006 No. of shares	**2005** No. of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**41,602,740**	**25,000,000**

Note 14: Auditor's Remuneration

	2006 $	**2005** $
Fees for audit services	15,097	1,119
Fees for other services	350	2,239
Total Fees	**15,447**	**3,358**

	2006 $	2005 $

Note 15: Related Party Transactions

(a) Directors' remuneration

Directors' remuneration are as disclosed in the Directors' Report.

(b) Transactions with related parties

Transactions between the Company and related parties during the years ended 30 June 2005 and 30 June 2006 are as follows:

	2006 $	2005 $
Payments made to Discovery Capital Limited# for:		
- Office rent and variable outgoings	15,773	-
- Administrative services and reimbursements	12,144	-
Total payments to Discovery Capital Limited	**27,917**	**-**
Payments made to Rheingold Investments Corporation Pty Ltd* for:		
- Management contract fees	235,166	-
- Reimbursement of Korab expenses	29,557	20,208
Total payments to Rheingold Investments Corporation Pty Ltd	**264,723**	**20,208**

Discovery Capital Limited was issued 5,000,000 shares in the Company on 31 August 2005 and paid a cash amount of $50,000 as consideration for the acquisition of the Melrose Project.

* A K Karpinski is a director of Rheingold Investments Corporation Pty Ltd, trading as Americorp Group. Management contract fees form part of directors' remuneration and has been disclosed as such in the directors' report.

	2006 $	2005 $
Note 16: Commitments for Expenditure		
Finance lease commitments		
Non-cancellable finance lease payments		
- Not later than 1 year	14,651	-
- Later than 1 year and not later than 5 years	57,383	-
- Longer than 5 years	-	-
	72,034	**-**
Operating lease commitments		
Non-cancellable operating lease payments		
- Not later than 1 year	27,900	-
- Later than 1 year and not later than 5 years	-	-
	27,900	**-**
Total lease commitments	**99,934**	**-**

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

Operating lease - the Company has entered into an operating lease in relation to the provision of office premises in Perth, this lease expires on 30 June 2007.

Mining tenements

	2006 $	2005 $
Annual expenditure commitments to maintain current rights to tenure of mining tenements	**527,898**	**323,517**

The Company has obligations to perform minimum exploration work and to expend $527,898 on such work and rental on mining tenements in the next financial year. 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. Expenditure requirements for applications pending approval are not included.

KORAB RESOURCES LIMITED A.C.N. 082 140 252

Directors Declaration

The directors of the company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:

    a) comply with Accounting Standards and the Corporations Regulations; and

    b) give a true and fair view of the company's financial position as at 30 June, 2006 and of its performance for the year ended on that date;

2. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Andrej Kazimierz Karpinski
Executive Chairman

Malcolm John McKenzie
Non-executive Director

Perth, 29 September 2006

CORMAC SHARKEY & CO.
CHARTERED ACCOUNTANTS
CORMAC PATRICK SHARKEY CA

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Independent audit report to members of Korab Resources Limited

Scope

The financial report, compensation disclosures and directors' responsibility
The financial report comprises the income statement, statement of changes in equity, balance sheet, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Korab Resources Limited ("the company") for the financial year ended 30 June 2006.

The company has disclosed information about the compensation of key management personnel ("compensation disclosures"), as required by Accounting Standard AASB 124 Related Party Disclosures ("AASB 124") under Details of Remuneration in the directors' report and in the financial report, as permitted by the Corporations Regulations 2001. These compensation disclosures are identified in the directors' report as being subject to audit.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the compensation disclosures contained in the directors' report.

Audit approach
We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of their operations, their changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion:

(1) the financial report of Korab Resources Limited is in accordance with the Corporations Act 2001, including

  (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001.

(2) the compensation disclosures that are contained in Details of Remuneration in the directors' report comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures.

Cormac Sharkey and Co.

CORMAC SHARKEY & CO

Cormac Sharkey
Principal
Perth
29 September 2006

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29 September 2006

To the Board of Directors
Korab Resources Limited
Level 6
105 St George's Terrace
Perth WA 6000

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 2006, 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 Sharkey
Principal