

5th July 2022

Letter to Shareholders

Dear Shareholder,

I am writing this letter to you as a Shareholder of Korean Metals Exploration Limited (**Korean Metals Exploration** or **the Company**) to inform you on the work that has been completed over the past 3 months and our progress towards conducting an initial public offer (**IPO**) and listing on the Australian Securities Exchange (**ASX**).

I am sure it will come as no surprise that inflation is having an impact on most costs (particularly diesel fuel), resulting in increase in drill metreage rates of ~30%. Due to the current prevailing poor market conditions, the listing may be delayed until later in the year.

As a consequence of these external factors, the Company is proposing to raise an additional \$300,000 pre-IPO Capital Raising at \$0.10 per share to fund the initial drill program. The Director's consider this is a prudent measure, as it will ensure the Company retains a good cash reserve of funds going into the IPO. Existing Shareholders are most welcome to participate in this Capital Raising if they wish and a Presentation and Share Application Form will be forwarded separately.

Work on the IPO and Prospectus has substantially progressed. In this regard, I can report:

- the Independent Geologist's Report for inclusion in the IPO prospectus has been prepared by *Veronica Webster Pty Limited*;
- the accounts and audit of the Company's financial statements for the 2019 to December 2021 financial years is complete (prepared by *RSM*);
- the Company's Australian (*Grillo-Higgins*) and Korean (*Kim & Chang*) legal advisors are completing their due diligence investigations, including preparation of a Legal Tenement Report on the Company's tenements for inclusion in the IPO Prospectus; and
- an advanced draft of the Prospectus has been prepared.
- Pre-listing approval from ASX is being sought and a response to their initial queries provided.
- Due Diligence Committee meetings have now commenced. A series of meetings will take place every 2-3 weeks to enable full sign-off on the Prospectus by our Due Diligence Committee.

We are confident that, subject to market conditions at the time, the Company will be in a position to lodge the Prospectus with ASIC during the current September quarter, with a view to list on the ASX during the December quarter. The provisional ASX ticker code on listing for Korean Metals Exploration is ASX:KML.

Drilling Program

The Company has been busy in Korea making preparations for a pre-IPO drilling program on the Dongil prospect. The purpose of this program is to begin confirming previous historical drilling results for the Dongil prospect. The assay results will be available post-listing and provide early news flow for the Company.

This drilling program in South Korea is ready to commence, as Land Use Agreements (LUA) are in place, drilling contractors identified (Hanjin DNB-16 diamond drill rig, see photograph) along with an excavator contractor. Drilling Permits have now been received.

The initial check drilling comprises 3 holes (850 metres HQ core) and a subsequent follow-on Phase 1 resource definition drilling program (18 drill holes; 4,800 metres HQ core) at the Dongil prospect. A Bongo 4WD light truck (see photograph) will be a dedicated support vehicle for the drill program.



Exploration Activities

Concurrent with the drilling program preparations, the Company has undertaken some exploration activities on all of its projects. A series of photographs below show some of these activities and results.

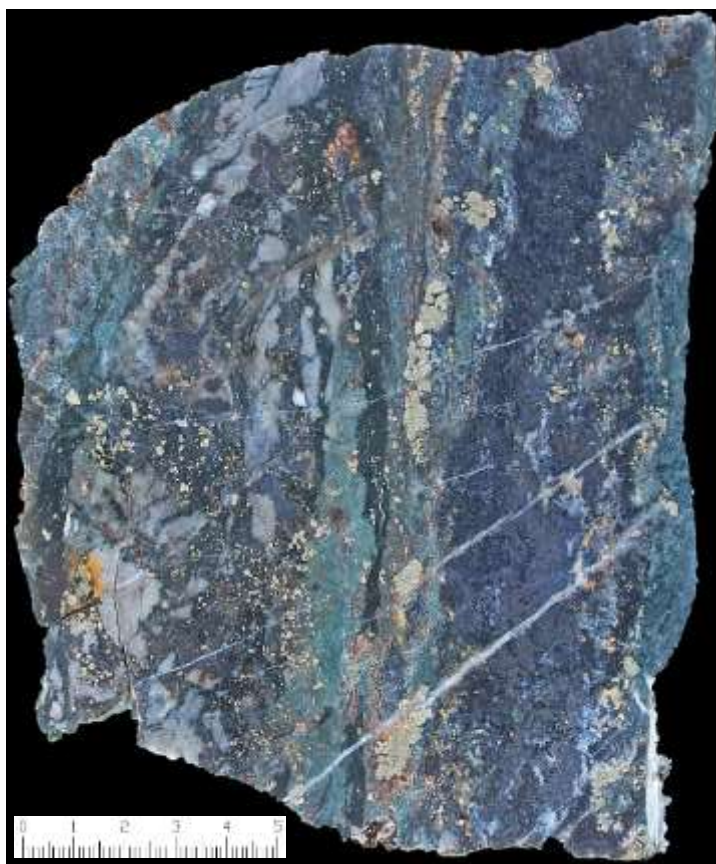
A total of 70 rock chip samples were collected and are currently in ALS Laboratory (Brisbane) with assays pending.

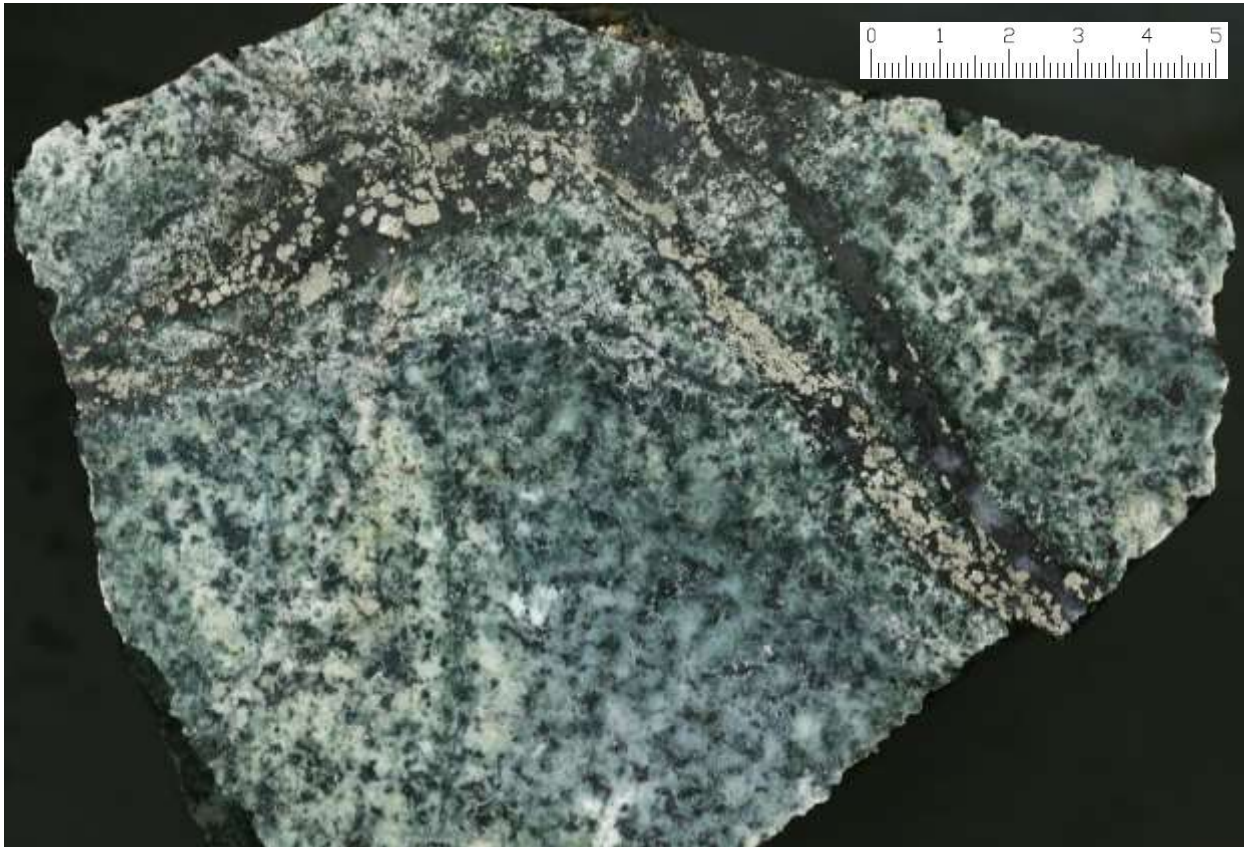
A total of 7 samples (mainly from Jaeilgunbuk mine, Haman Project) were submitted to Professor Shin (Kongju University and Korea's leading mineralogical expert) for petrographic investigation and description of the monzonite intrusion hosted mineralisation (report received).

A further 8 samples previously collected from Jaeilgunbuk, were submitted to *Geochempet* (Brisbane) for petrological study.

The aim is to investigate the unusual sediment-hosted style of mineralisation in the wall rocks adjacent to the high-grade hematite-magnetite vein breccias.

Photograph of vein breccia; slabbed sample 155895 from Jaeilgunbuk; 13g/t Au, 0.33% Cu, 146ppm Co, 277 ppm W, 1g/t Te).





Haman project - Jaeilgunbuk mine. Magnetite-hematite (hypogene specularite)-pyrite-quartz veinlets in chlorite-calcite-sericite-silica altered monzonite intrusion host. Sample 0001. Assays pending.



Jaeilgunbuk mine: Ilkwang Adit. Vein-breccia mineralisation is exposed in the adit roof and pervasive, disseminated sediment-hosted style mineralisation in the wall rocks.

Uiseong Project - Ogsan Mine (Site visit by Wan-Joong Kim on 21 June 2022).

Bench above the Hwangsan adits at Ogsan North (Hwanghaksan). A 15-20m wide outcrop of epithermal comb quartz network veinlet stockwork is developed in intense clay-sericite-silica altered, limonite-manganese stained, highly fractured sediments (*Jeomgog Formation*).

This outcrop lies about 50 metres elevation above the drill intersection recorded in KMPC drillhole 73-1 of 7m at 4.00g/t Au, 9.34% Cu, 83g/t Ag, 3.15% Zn & 1.92% Pb (refer drill section below). It is worth pointing out that the KMPC did not assay the stockwork zones outside of the obvious high-grade mineralised vein zone.

The Ogsan Exploration Target is the next priority for the Company after the Dongil drill program.



View looking east towards Ogsan North (Hwanghaksan; "Yellow Crane mountain"). Note the powerline behind the hill on the eastern side.



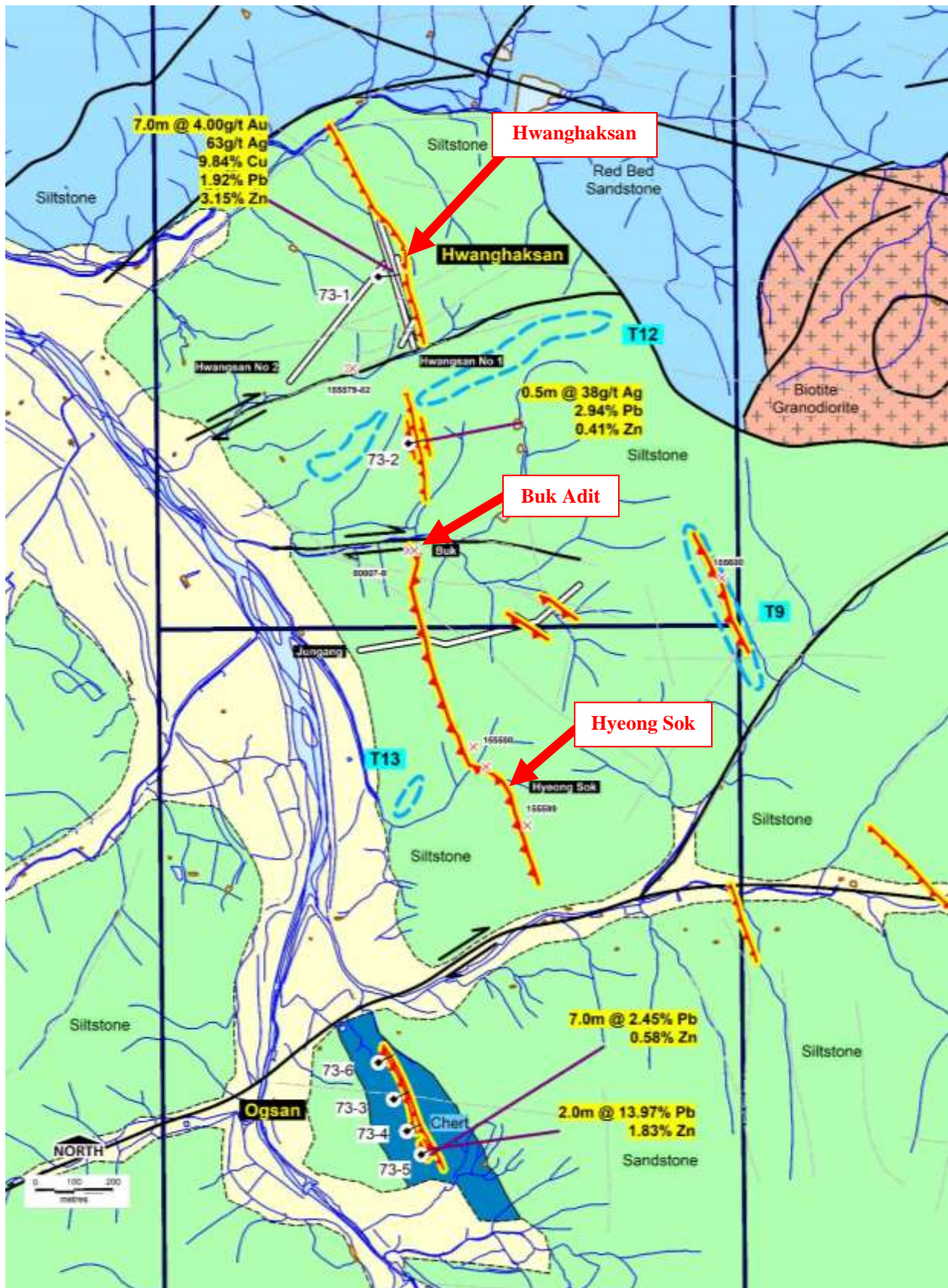
Drill Section 73-1, Hwanghaksan



Hwanghaksan outcrop. Margin of the 15-20m wide quartz veinlet stockwork, highly fractured breccia zone, hosted in intense clay-sericite-silica altered, limonite-manganese stained sediments. The structure strikes north-northwest, dipping steeply to the west. Note micro-faulting (red arrows) displacement of a vein which mimicks the right lateral (dextral) displacements observed along the major vein-breccia system structure.



Hwanghaksan outcrops. Intensely altered, gossanous mineralised outcrops of the 15-20 metre wide stockwork-breccia zone.



Geology Map, Ogsan Project. The North-northwest striking vein system can be traced over a strike length of 3,000 metres from Hwanghaksan in the north to Hyeong Sok and then Ogsan South. The vein system structure appears to be 15-50 metres in width. Assuming it is the same structure, Ogsan South has been right-laterally (dextral) displaced about 500 metres to the southwest by a major transfer fault. Note there are several subparallel vein structures, mapped east of the main vein system, which have yet to be explored.



Buk Adit. Site visit on 27 April, with Michael Beer & Kim Wan Joong for scale.



Sample 00009, Buk Adit. Sheeted stockwork quartz-sulphide veinlets hosted in silicified/hornfelsed siltstone (mapped by KMPC as "chert"). Visible galena, sphalerite and chalcopyrite. Assays pending.



View of two subparallel outcropping sheeted veinlet structures at Hyeong Sok. The outcrops are spaced 30 metres apart, indicating a 30-50m wide zone. There has been no mining or drilling in this location.



Uiseong Project - Kyungwha Mine. Sample 00006. Epithermal vein textures in quartz-adularia vein. Adularia is an indication that “boiling” has occurred and is a positive sign for elevated gold grades. Visible chalcopyrite, galena and sphalerite. Assays pending.



Goseong Project: - Samsanjaeil No 2 mine. Inspection of the Samsanjaeil No 2 Adit on 18 June (Kim Wan-Joong with Shareholder Stephen Clayson) shows the adit is accessible for future exploration and development. At top left, open stope with draw-point and ore car-wagon rail and at top right 2metre vein wide breccia is exposed in the adit roof.



Left is a close-up of gossan and secondary copper mineralisation in the vein breccia.

The Company intends to survey these accessible historical prospecting adits and then channel sample across the vein-breccia structures at regular intervals. This data can be integrated with diamond drilling beneath the adits, as part of JORC resource estimation programs.



Jangheung Project (Site visit by Chris Sennitt & Wan-Joong Kim 21-23 May 2022).

New forestry road at Jangheung. Extensive limonite-stained, sericite-clay altered granite gneiss is exposed in roadcuts along a newly constructed fire break road. The road has provided excellent access in this mountainous terrain. Diorite porphyry dykes, magmatic breccias, stockworks and gossanous mineralised breccia are present. Assays pending.



Uiseong Site Office

The Site Office-Core Shed processing facility has been set up near Uiseong town to support the Company's exploration program. Equipment for the drilling program was purchased and arrived in a shipping container from Fremantle.

The site office is ideally located adjacent to the major Expressway linking with Seoul, but also easily connects with the Haman and Goseong projects further to the south. Next year, a KTX ("bullet train") Train service is scheduled to open between Seoul and Gunwi (15km to the south), which will reduce travel times considerably (about 1 hour). The site office has been leased for 2 years and features a large office (2 rooms) and an outdoor area which is ideal for:

- Core orientation, mark-up & recovery. Geological and structure orientation logging
- Core photography (both natural light and ultra-violet light imaging photography)
- Density measurements (SG Station)
- Geotechnical tests (hardness, unconfined compressive strength)
- Core cutting using petrol saw initially. An automated core saw will be manufactured (about 1 month) and then imported upon IPO
- Sample preparation laboratory facility (jaw crusher and drying oven) will be manufactured (about 4-5 months) and then imported upon IPO
- Long-term storage of drill core in racks



Community Relations

The Company has been undertaking “low key” community relations activities on the Uiseong project. Important work underway includes preparation of lodgement of a Mine Development Permit application for Dongil with the Gyeongsangbuk-do provincial government. This will involve negotiation of Access Agreement with landowners and a Memorandum of Understanding with the county government.



Chris Sennitt meeting the Uiseong county Mayor just before the mayoral election at a campaign rally.

The Mayor was re-elected with 72% of the votes. This is his fourth and final term and he is looking to support projects that will become a legacy to his public service



Tohyeon-ri Landowner Mr Lee with Director Kim Wan-Joong on site at Dongil West 16 May.

Mr Lee was a former miner during 1972-75 at Dongil. He was able to describe the old underground workings and mining activities at Dongil South in great detail.

He also kindly took us to a set of old workings not marked on any map, resulting in a new prospect at Dongil West.



Dongil West Landowners at an informal BBQ afternoon on site.

Mr Kim, Director Kim Wan-Joong and Mr Shin. These 3 persons are neighbours and all own contiguous surface rights in the Dongil West-Dongil South area.

Website

The Company's website www.koreanmetals.com is in the process of being updated by *Loch Graphics*, with the aim of being ready prior to commencement of the IPO. This will include download of the Prospectus, the Corporate Governance policies, Project summaries (JORC compliant), Technical Reports, Annual Financial Statements, Company News and address other matters in anticipation of the ASX listing.

Investor Relations

The Company has appointed *Read Corporate* to act as Investor Relations advisor, assist with marketing of the IPO and provide ongoing investor communications support.

Closing Remarks

The past 3 months have been very busy for the company, but this period has coincided with a serious downturn in the stockmarket, along with declines in copper, silver, zinc and lead metal prices and cost inflation. The global geopolitical backdrop, supply chain disruptions, general lack of new mineral deposit discoveries, decreasing mine grades, the huge capex of larger mines, the "new green economy" and the trend towards self-reliance are all factors increasingly favouring the development of smaller, lower-environmental impact mining operations, situated close to domestic metal refineries within South Korea and neighbouring Japan.

The Company is in position to lodge the Prospectus with ASIC and the Listing Application with ASX from early August onwards, with a view to list on the ASX from September onwards.

I wish everyone good health, fortune and prosperity and we will keep you informed as to the progress of the IPO and ASX listing as things firm up.

Kind regards,



Chris Sennitt

BappSci (Applied Geology), MSc (Economic Geology), FAIG, SEG, EGRU.

Managing Director

Corporate Advisors

The Company has engaged the following advisors to assist with raising funds, preparing the necessary documentation required for the IPO and ongoing investor relations activities:

Role	Advisor
Lead Manager – Capital Raisings	Beer & Co
Legal Advisors - Australia	Grillo-Higgins Lawyers
Legal Advisors – South Korea	Kim & Chang
Company Secretary	Kurt Laney
Chief Financial Officer	Vince Fayad
Independent Geologist	Veronica Webster Pty Limited
Investigating Accountant	RSM Corporate Australia Pty Ltd
Auditor	RSM Australia Pty Ltd
Investor Relations	Read Corporate
Share Registry	Link Market Services Limited

Corporate Fact Sheet

Korean Metals Exploration Limited is focussed on developing its gold-copper-silver-zinc and lead projects, situated in the Gyeongsang Basin of South Korea. The projects are a 3-5 hour drive from Seoul via Expressway.

Capital Raisings

Founders (3) =	\$803,484
Seed (5) =	\$156,555
Pre-IPO (40) =	\$1,250,000
Total Capital Raised =	\$2,210,039

Summary of Expenditures – Period 2015 to 30th June 2022 (last 6 months unaudited)

Corporate	\$634,539
Capital Raising Costs	\$162,364
Exploration	\$991,136
Total Expenditure =	\$1,788,039

Cash held in Bank as of 30th June 2022 (unaudited)

Total Cash held =	\$422,000
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Capital Structure as of 31st March, 2022

- Founders (3) 19,320,000 Shares
- Seed (5) 3,680,000 Shares
- Pre-IPO (40) 12,500,000 Shares
- Commissions (1) 1,000,000 Shares

Total Shares on Issue = 36,500,000 Shares

Total Options on Issue = 4,925,000 Options (exercisable at \$0.30 expiring 30/06/2025)

The Board

Leo (Elias) Khouri

Chris Sennitt

Hon. Katrina Hodgkinson JP

Kim Wan Joong

Independent Non-Executive Chairman

Managing Director

Independent Non-Executive Director

Executive Director

