

10th November 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 events and work that has been completed over the past 3 months as we progress towards an initial public offer (**IPO**) and listing on the Australian Securities Exchange (**ASX**). The provisional ASX ticker code on listing for Korean Metals Exploration is ASX:KML.

Prospectus

I can report that the Prospectus for the IPO and ASX listing is now substantially progressed.

The Corporate Governance Policies, Korean Legal Tenement Report on Title and Korean Due Diligence are now finalised.

Audited Financial Statements and AGM

The audit of the 30 June 2022 Financial Statements has been completed. These audited Financial Statements, and the 2022 notice of annual general meeting, will be sent to Shareholders shortly.

Corporate

The Company is pleased to announce the following board changes:

1. Mr Garrick Higgins appointed as Independent Non-Executive Chairman. Garrick is a commercial lawyer and founding partner of GrilloHiggins Lawyers, and has extensive ASX listed company experience in the Resource sector. He has provided legal and commercial advice to that sector in respect to many areas including finance, capital raising and joint ventures for companies working both in Australia and overseas. In the resources sector, Garrick has previously been a non-executive director of former ASX listed companies Kidman Resources (as Chairman), Global Petroleum Limited (now listed on AIM), Jervois Mining Limited and Essential Petroleum Resources Limited.
2. Mr Waldemar Fick appointed as Independent Non-Executive Director. Wal is a qualified accountant and owner of *Interdrill Pty Ltd*, with over 30 years commercial experience in the mineral exploration industry. Interdrill is a Townsville-based specialist drilling company, currently operating multi-purpose drill rigs in Papua New Guinea and Pakistan, and has operated drill rigs in South Korea during 1997-2008. Wal was previously a Director of the Company during 2018-2019 and having visited the project sites in 2018, is already very familiar with the Company and
3. Mr Peter Bird appointed as Independent Non-Executive Director. Mr Bird is an experienced, well-known and highly respected mining industry executive. His extensive experience covers capital markets, senior technical, management, investor relations and human resources positions with major mining companies. More recently, Mr Bird has served in Board and executive roles as a managing director and non-executive chairman with several listed resource companies, including Cosmo Metals Limited (ASX:CMO) and a UK listed copper company. Mr Bird also recently oversaw significant value generation at ASX listed junior explorer Zenith Minerals (ASX:ZNC) in the role of Executive Chairman.
4. Ms Melanie Leydin appointed as Company Secretary. Melanie has over 25 years' experience in accounting, compliance and secretarial governance functions and acts as company secretary of several ASX listed companies. Melanie is the managing director of *Vistra Australia*. Vistra Australia will be providing accounting, treasury and shareholder registry services to the Company.

Garrick, Peter and Melanie have all worked together on various matters and bring extensive ASX company and mining industry experience to the Board. I am confident that the Board is now well-placed to achieve the Company's goals for its Shareholders.

These appointments follow the resignation of Katrina Hodgkinson and Leo Khouri as non-executive directors of the Company, and resignations of representatives of Vince Fayad & Associates as Company Secretary. We thank them for their efforts and wish them all the best for the future.

Registered Office

Shareholders should note the Company's Registered Office has recently moved to Vistra Australia's office at **Level 4, 100 Albert Road, South Melbourne, VIC. 3205.**

Capital Raising

The Company is currently undertaking a capital raising to raise between \$300,000-\$600,000 at \$0.10 per Share, managed by Beer & Co. The Company has undertaken several investor presentations with Beer & Co, and interest in the Company's prospects and participation in the capital raising is encouraging. We look forward to closing this raising soon.

Website Update

The Company's website is being updated in preparation for the IPO.

Exploration Activities Update

A summary of the Exploration Activities that the Company conducted in July to September 2022 is included in the following pages of this letter.

Exploration activities in South Korea currently underway include geological mapping, rock chip sampling and surveying of drill sites on Ogsan, Kyungwha and Cheongji (Uiseong project), Jaeilgunbuk (Haman project) and Samsanjaeil South and Samjeon (Goseong project), in preparation for Phase 1 drilling programs proposed post-listing. Although the Company received its drill permits for Dongil, winter is only a month away and the Board decided it was prudent to postpone this drill program on Dongil.

Outlook

The Company anticipates that, subject to market factors, it will lodge its Prospectus with ASIC and the Listing Application with ASX in the first half of calendar 2023. This is on the basis that Australian junior explorers have generally experienced a share price increase from the lows in mid-July 2022.

Under the IPO, the Company will be the offeror of the Shares, a prospectus will be made available when the Shares are offered, anyone who wants to acquire Shares under the IPO will need to consider that prospectus and will need to complete an application form that will be in or will accompany the prospectus, and the prospectus will be sent to Shareholders after it has been lodged with ASIC.

Despite the uncertain global economic and stockmarket backdrop, gold, copper, silver and zinc metal prices continue to hold up well, along with industrial minerals, oil and gas prices. The underlying long-term themes and trends, recognized in the global mining industry since the late 1990s, continue to support the demand for several metals and their prices; including lack of new mineral discoveries, declining mineral resources, lower-grades, massive capex requirement for the bigger mines and exploration increasingly focused below deeper levels of cover, The Company continues to pursue its exploration-development strategy-focus on high-grade polymetallic mines, near-surface, in an under-explored, low-sovereign risk country that is a major refiner of these metals and we are optimistic for our prospects.

I wish everyone good health, fortune and prosperity and we will keep you informed as to the Company's progress.

Kind regards,

Christopher Sennitt

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

Managing Director

Exploration Activities July-September 2022

With the focus on completing the Prospectus and maintaining cash reserves, limited funds were applied to exploration activities during the past quarter.

Assay results were received from ALS Brisbane for the 70 rock chip samples collected during May 2022. In addition, some petrological investigations were undertaken. The following sections describe the results from this limited program.

Uiseong project – Dongil Drill Program

The Company has received its drilling permits for Dongil South. A new administrative procedure for government land designated for Forestry use (logging) and its development, lack of familiarity and expertise by the local government officers in drilling and mining activities has caused unavoidable lengthy delays in the permitting process. With stakeholders now aligned with the proposal and next steps, we are confident that delays in permitting on government land can be minimised in the future.

The company can commence check-drilling at Dongil South once it is adequately funded. However, winter snowfalls usually start in mid-December and freezing temperatures below -10°C during December-March are common. The Board has decided it is prudent to postpone the drilling program to the end of March 2023.

Uiseong project – Dongil West Prospect

Five samples were collected from Dongil West, a previously unrecorded 1-3m wide structure consisting of dyke, gossan and epithermal breccia. There is some historical prospecting trenching and pitting developed along the 500m long, north-south striking structure. These workings were shown to the Company in May 2022 by a resident of nearby Tohyeon-ri village, who originally worked at Dongil mine in 1972-75. Assays from rock chip samples recorded consistently elevated Ag-Pb-Zn-Cu assays, with antimony up to 0.78% and arsenic up to 0.64%.



Photograph 1. Sulphide spherulites (1-3mm diameter) entrained in the rhyodacite dyke associated with the Dongil West mineralised structure. The ovoid-shaped sulphide spherulites (“raisin toast” texture) are rarely observed and strongly indicate a magmatic sulphide source-origin. This implies the dyke could be connected to an underlying larger mineralised intrusion at depth. Sample 00020: 32g/t Ag, 837ppm Cu, 1.67% Pb & 0.99% Zn.

Jaeilgunbuk (Haman Project)

Exploration work on the Jaeilgunbuk prospect (Haman Project) continues to indicate this prospect is a highly significant Exploration Target.

Geochemistry Results

Assay results from rock chip samples collected from Jaeilgunbuk in May were all gold mineralised, with assays ranging from 0.35-1.53g/t Au. There is a clear association of gold-copper ± cobalt with gangue minerals of magnetite, carbonate, lesser quartz and specular hematite (Photograph 2).

The monzonite intrusion (Photograph 9) carries gold (0.66g/t Au) and copper, as do the carbonatite felsic dykes (Photograph 5) associated with the vein structures (0.35g/t Au). Assays of cobalt (>100ppm), nickel (>100ppm Ni), molybdenum (>100ppm Mo), germanium (>1ppm Ge) and tungsten (>100ppm W) are elevated and traces of platinum and palladium were detected with the higher gold values. Ultramafic (serpentinite) dykes (Photographs 4, 7 & 8) occur in the footwalls of the vein structures and are likely related to the layered gabbro intrusion at Misryeongsan mountain (Photograph 2), but do not appear to carry gold. Diagnostic elements used to classify intrusions of adakite origin and alkali porphyry copper style are all elevated, including strontium (Sr >400ppm), lanthanum (La >100ppm), cerium (Ce >100ppm) and vanadium (V >100ppm), along with anomalously low levels of yttrium (Y <16ppm), Ytterbium (Yb <1ppm) and scandium (Sc <16ppm).

Petrological Investigations

Petrological studies (*Geochempet*, Brisbane) indicate the felsic/dacite dykes (field term) are more correctly described as carbonatite dykes. Electron Microscope TESCAN TIMA scanning (*Queensland University*) revealed the presence of Kaersutite (Ti-amphibole), a rare mineral only found within carbonatites. Several garnet species are present that are consistent with mantle-derived peridotite ultramafic/serpentinite rocks, including pyrope (Mg), almandine (Fe) and andradite (Ti) garnet. Bands of carbonate (Mn-ankerite and Ca-calcite), quartz, chlorites (Fe-chamosite-only found with magnetite and Mg-clinochlore), pyrite, magnetite (early), specular hematite (late bladed habit) are evident. Chalcopyrite occurs on the margin of ankerite and calcite, but gold was not detected in the 2 samples studied.

Adakite intrusions are formed by partial melting of basalt subducted below the Cretaceous volcanic arc interacting with mantle peridotites. The adakite magma in the Haman district could indicate flattening of the subducting arc occurred, resulting in a hiatus in magmatism and termination of back-arc rifting. In this setting, it is quite possible the mantle could be tapped by deep-penetrating faults, allowing the gabbro-serpentinite and carbonatite intrusions to be emplaced together.

Airborne Magnetometer Survey Interpretation

The historical 1975 helicopter magnetometer survey is shown in Figure 3. This survey was flown in 1975 by *Sanders Geophysics* (Canada) and included Electromagnetic (EM) instruments. EM anomaly 63B corresponds to Jaeilgunbuk, but airborne EM in 1975 was still an experimental geophysical method and poorly understood then.

The mineralised vein-breccias form a “halo” around the magnetic highs. The “bullseye” magnetic anomalies at Gunbuk and Gilgok correspond to discrete magnetic monzonite porphyry stock/plug intrusions, within the larger tonalite intrusion, broadly mapped out by the yellow-green colours (lesser magnetic response). The surrounding blue non-magnetic response corresponds to sediments of the Haman and Chinju Formations.

Conclusions

A close relationship of carbonatite dykes with gold-copper-cobalt mineralisation, magnetite-specular hematite alteration and adakite monzonite intrusion is evident and consistent with the alkali porphyry copper-gold model proposed for the Haman project. Several styles of gold mineralisation are now recognised at Jaeilgunbuk, including high-grade carbonatite breccias (Photographs 3 & 10), intrusion-hosted magnetite-hematite-sulphide stockworks (Photograph 9), sediment-hosted replacement style mineralisation (Photograph 11) and magnetite-hematite-pyroxene skarn (Photograph 12).

The close association of gold-copper mineralisation with magnetite is very promising for magnetic concentration-beneficiation methods, as well as recovery of a magnetite by-product, for which there is a substantial market in South Korea. A close-spaced, high-resolution UAV drone airborne magnetic survey is proposed post-listing to assist with mapping of the main structures and intrusive bodies.



Figure 1. Aerial View of Jaeilgunbuk with vein system superimposed, adit portals and the old mill shown.

The larger individual veins are labelled east to west as Veins No 1 to No 7, but there is a well-developed stockwork in between.

The vein system is 900 metres long x 400 metres wide, presenting as a highly significant bulk tonnage Exploration Target.

Not shown on the image is a carbonatite and ultramafic dyke swarm, which is closely associated with the vein breccia mineralisation.

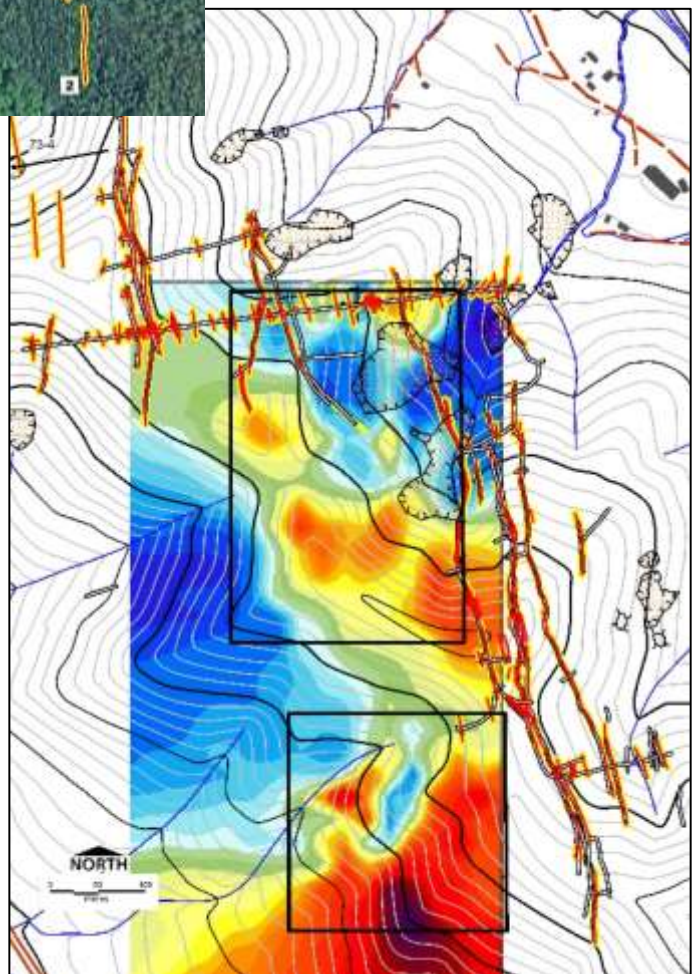
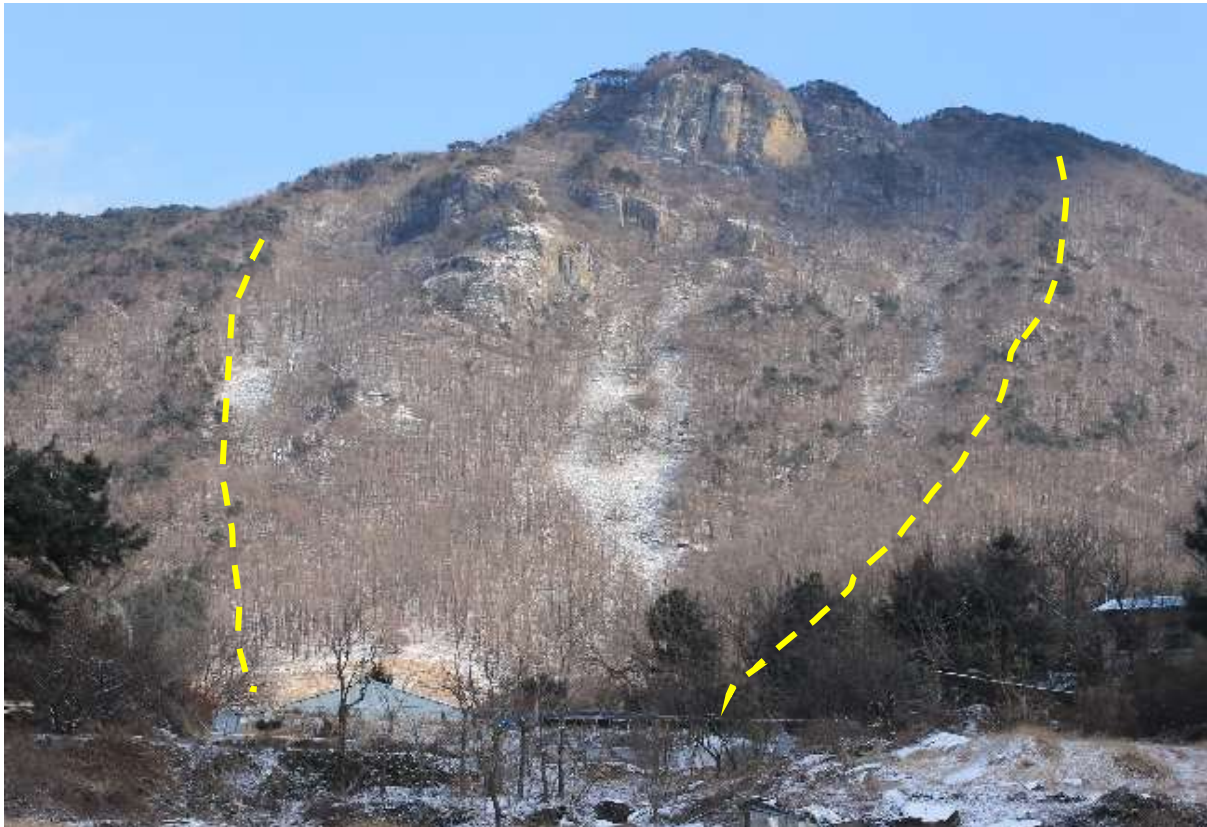


Figure 2. Self-Potential geophysical survey grids over Jaeilgunbuk (KMPC, 1975). The "heat map" shows the "conductor anomalies", which are interpreted to be disseminated sulphides.

The layered gabbro intrusion at Misryeongsan lies to the south (off the map).



Photograph 2. View looking east towards the layered gabbro intrusion at Misryeongsan mountain (contact outlined by yellow dashed line). The gabbro has an adakite geochemical signature, suggesting it has come from great depth and tapped the mantle. The Jaeilgunbuk prospect lies immediately to the northwest on the opposite side of the ridge at left.



Photograph 3. Close up of fluidised, banded pyrite-magnetite-chlorite-quartz carbonatite breccia from the Main Adit, Sample 00002: 0.58g/t Au, 206ppm Co, 0.13% Cu, 274ppm Mo, 1.82ppm Ge, 121ppm W.

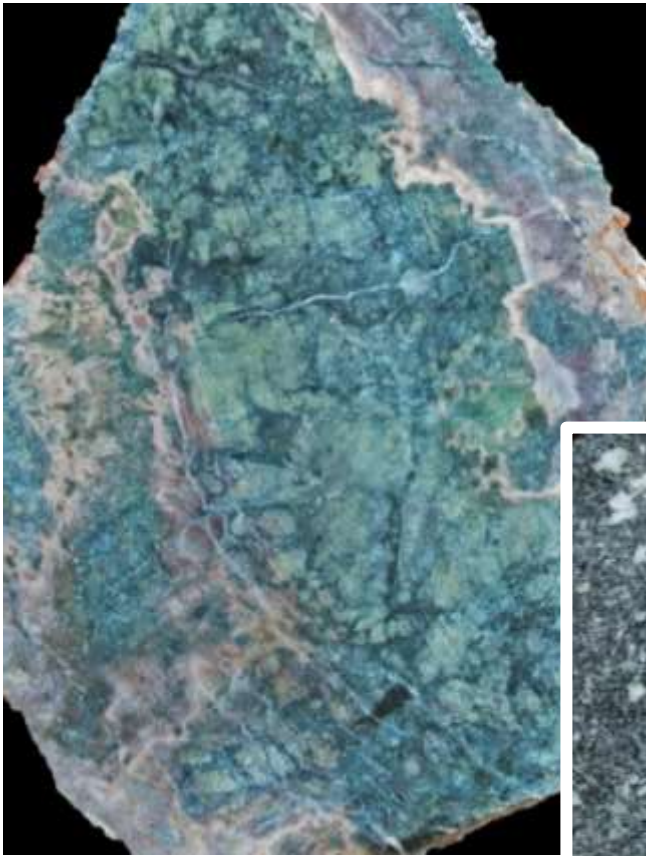


Photograph 4 (left). View looking north inside the Nodach No 1 Adit along the strike of the mineralised breccia, with entrained carbonatite dropped to floor (probably by airleg hand-drill and blast). An ultramafic (serpentinite) dyke is exposed in the footwall at right. The ultramafic dyke is likely related to the layered gabbro intrusion.

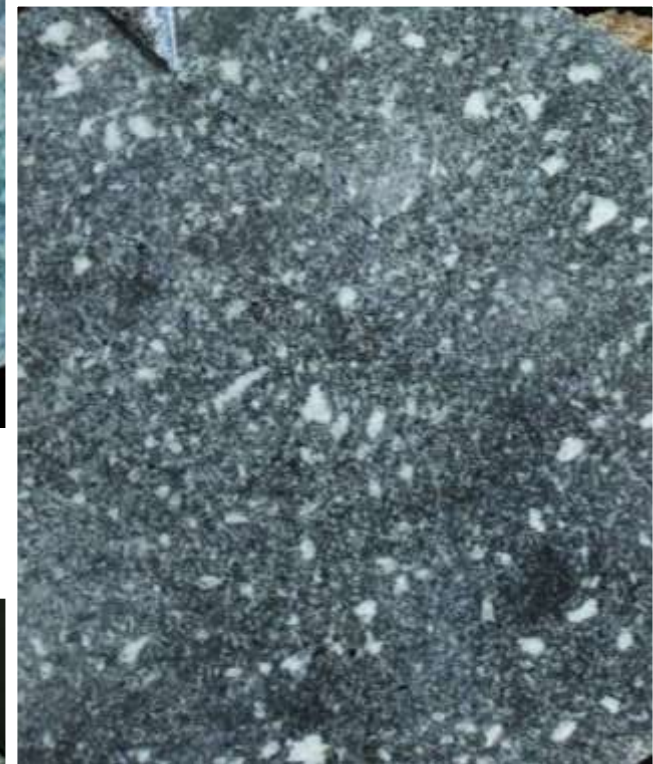
Photograph 5 (below). Close up of mineralised carbonatite dyke, Ilkwang Adit, Sample 155890: 0.34g/t Au, 0.55% As, 2.44% Mn, 103ppm Bi, 111ppm Co, 497ppm Cu.



Photograph 6 (above). View inside the Ilkwang Adit. Mineralised carbonatite dyke and vein breccia exposed in the roof (see inset) and bands of disseminated, replacement style mineralisation in the surrounding flat-lying wall rock sediments indicate both high-grade and bulk tonnage potential.



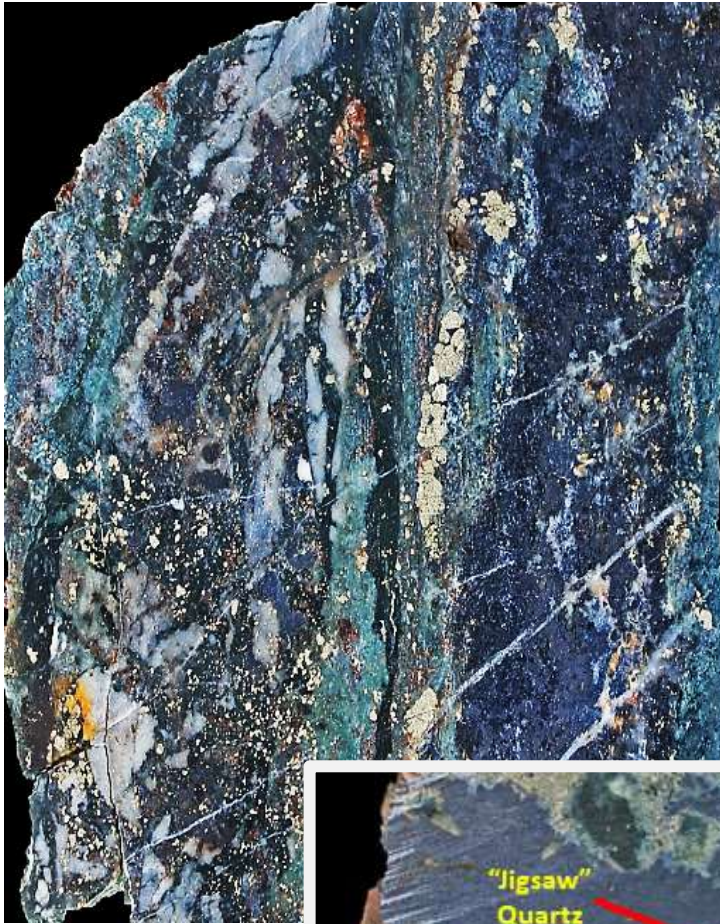
Photograph 7 (left). Serpentinite dyke, Nodach Adit, Sample 155893: 0.30% Mn, 0.20% P.



Photograph 8 (right). Ultramafic dyke/gabbro intrusion, Okbang, Sample 243308: 194ppm As.

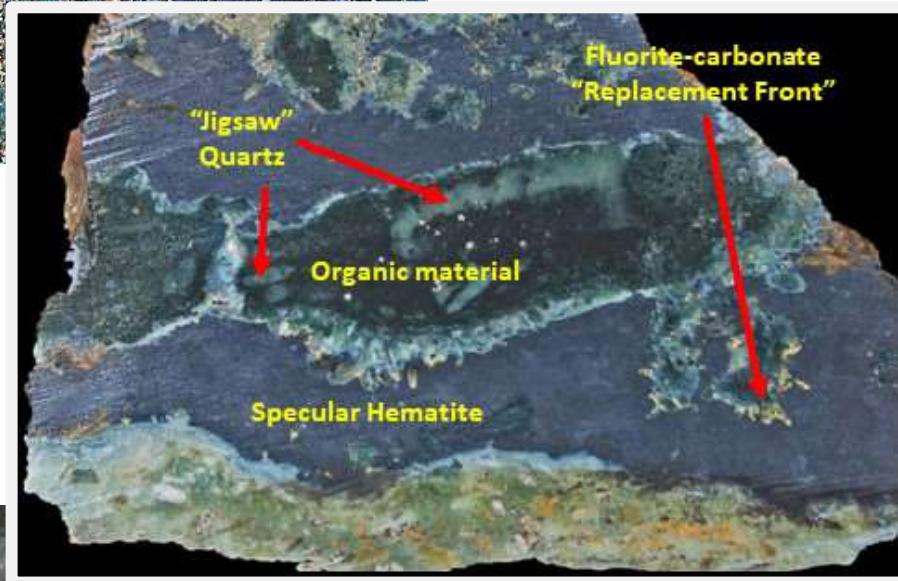


Photograph 9 (left). Monzonite intrusion with an adakite geochemical signature, displaying magnetite-hematite-pyrite veinlet stockwork mineralisation in sericite-chlorite (blue-green chamosite, a rare mineral) alteration. Sample 00001: 0.66g/t Au, 131ppm Cu. Bulk tonnage potential indicated by gold grades.



Photograph 10 (left). Magnetite-hematite, quartz, pyrite, chlorite fluidised carbonatite breccia from the Nodach Adit. Sample 155895: 12.15g/t Au, 0.33% Cu, 227ppm W.

Photograph 11 (below right). Sediment-hosted replacement style mineralisation, Nodach Adit, Sample 155894: 7.42g/t Au, 0.56% Cu, 261ppm W, 175ppm As.



Photograph 12 (left). Magnetite-hematite skarn (note blades of specular hematite) with crosscutting quartz-chalcopyrite veinlet, Dundok Adit. Sample 242733: 0.12% Cu, 118ppm Mo, 2.52ppm Ge, 870ppm W.

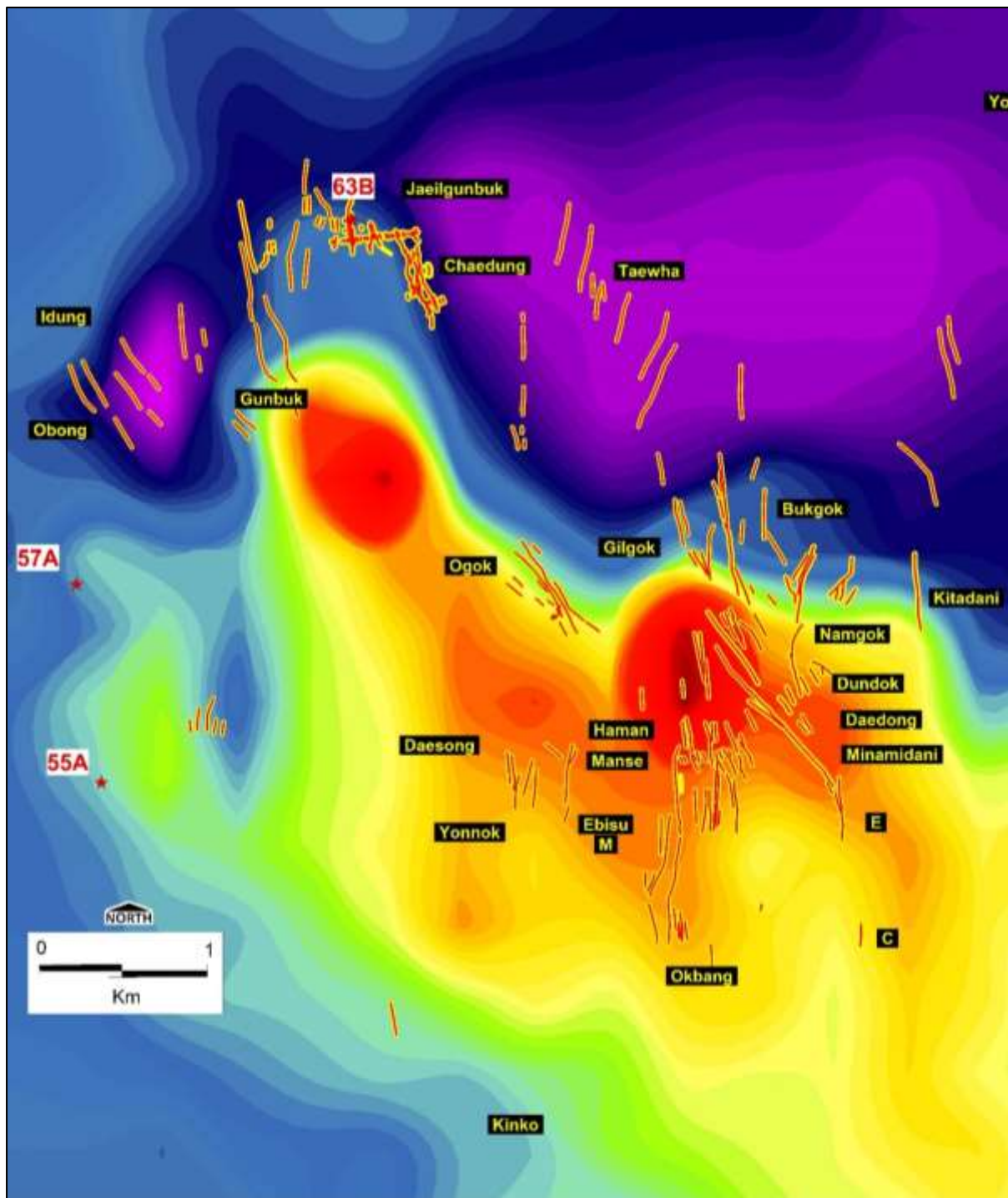


Figure 3. Colour Plot, Regional Helicopter Magnetometer Survey, Haman project. This survey was flown in 1975 by *Sanders Geophysics* (Canada) as part of the *United Nations Development Program* (UNDP). The numbers refer to Electromagnetic (EM) anomalies identified by this survey, with Anomaly 63B corresponding to Jaeilgunbuk. It is worth noting that Airborne EM in 1975 was still in its infancy and was regarded as an experimental geophysical method.

The mineralised vein breccia structures form a distinct “outer halo” around the magnetic high features, possibly a “pressure” shadow effect. The intense “bullseye” magnetic high anomalies at Gunbuk and Gilgok correspond to discrete magnetic monzonite porphyry stock/plug intrusions, within the larger tonalite intrusion, broadly mapped out by the yellow-green colours (more subdued, uniform magnetic response). The surrounding blue non-magnetic response corresponds to sediments of the Haman Formation.

Uiseong project – Satellite Prospects

Tenement Activity

Exploration Record Reports were submitted to and subsequently approved by MOTIE over the Company's Exploration Rights over Ogsan and Kyungwha, extending the exploration terms to August and September 2025 respectively. As part of this work, site visits were made by Director Wan Joong Kim with the Registered Geologist.

Four (4) Exploration Rights were re-applied for over the Jeonheung-Kamkye mine and the Keumdongchilbo-Goroseoksan mines. These exploration rights have come out of the 12-month moratorium period, after lapsing in 2021.

Ogsan Assay Results

Two (2) samples collected from a 2m wide stockwork exposed in the Buk Adit at the Ogsan prospect assayed up to 89g/t Ag, 0.17% Cu, 2.54% Pb, 2.93% Zn, 192ppm Bi, 145ppm Cd, and 137ppm Mo.

New Vein Discovery near Cheongji

During the tenement reporting site visits made by Director Kim Wan Joong, a new vein outcrop was discovered near Cheongji, located between the Kyungwha and Jeonheung mines of the Uiseong project (Figure 4).

The vein outcrop is 1-3 metres wide and is likely to be an along-strike extension of the Cheongji Vein, located about 350 metres to the NW. A characteristic feature of the vein outcrop (photographs 13-16) is the lack of vegetation surrounding it, suggesting toxic metal elements are present in the soil profile. If the vein trend is correct, this vein may also continue to the SE where quartz float/subcrop was previously mapped, indicating a potential 550 metre strike length for this vein structure.

Unmarked Adit found near Jukdong North

Two (2) samples collected (in May) from the Jukdong North (Kyunghwa) prospect assayed 0.25-0.32g/t Au, 138-345g/t Ag, 0.15% Bi, 1.57% Cu, 1.47% Pb and 2.93% Zn (Photograph 18). Polished thin sections were prepared at *Kongju University* and a petrological report compiled by Professor Shin. The presence of good grades of gold, copper and silver indicate the Kyungwha prospect is likely proximal to a chimney breccia pipe "feeder" structure.

Approximately 270 metres northeast of Jukdong North adit, an unrecorded historical Adit was shown to the Company by a local resident (Photographs 17-21). The adit was driven along a steeply-dipping, 2-metre wide sulphide-quartz-clay mineralized vein breccia structure. In the hill above the adit, the vein structure can be traced along strike to the northwest, but there is a noticeable lack of understory vegetation surrounding the vein subcrop. A dense layer of decayed organic matter is present, suggesting toxic metal elements in the soil profile inhibit and quickly kill off any fresh vegetation.

Conclusions

The nearby Jeonheung mine was the largest mine in the Uiseong project, operating between 1976-1988. An oxide copper "resource" of 1,000,000 tonnes (non-JORC compliant, grade not stated by Hwang & Yang, 1977) remains at Jeonheung, as it could not be viably recovered by the conventional 100tpd selective flotation mill designed to recover lead and zinc concentrates. Gravity gold was recovered using a *Wilfly Table* from the flotation tailings.

The new vein discovery along with the unrecorded adit driven on separate subparallel structures confirms there is an extensive, well-developed hydrothermal system present in the Cheongji-Kyungwha-Kumhak-Jeonheung area. It is considered there is excellent potential for further veining to be found.

Post-listing, a combined 1:5,000 scale geological mapping-rock chip sampling prospecting survey is proposed along with a conventional multi-element -80# Soil Geochemical Survey, as the best methods to explore and map out all the vein structures.

Conceptually, it is likely that vertical (from surface: arsenic-antimony, bismuth-silver, then gold-copper chimney pipe) and lateral (gold-copper is central chimney pipe, lead-zinc is distal) geochemical, vein texture and alteration mineral patterns occur in this intermediate-sulphidation epithermal system. These physico-geochemical patterns can be used to target drilling towards more favourable (higher value) zones of gold-copper-silver.

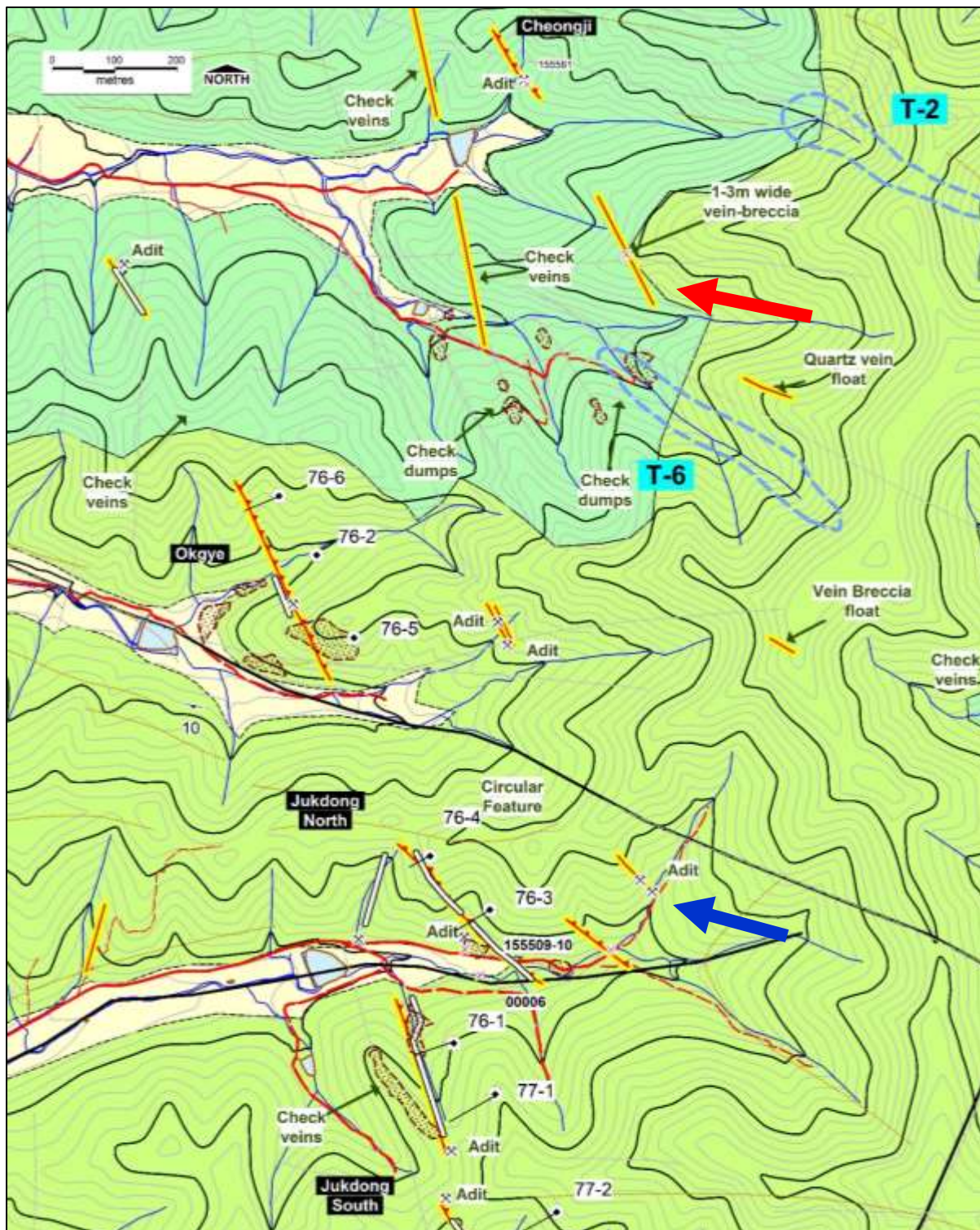


Figure 4. Geological Map of the Cheongji-Kyungwha prospect area. The map has been updated with the new vein breccia outcrop (red arrow) and the unrecorded adit (blue arrow).

The new vein outcrop is probably the along strike extension of the Cheongji Vein, located about 350 metres to the NW. The nearest drillholes are 700 metres to the SW at Okgye (northern part of Kyungwha vein system).

The historical Jeonheung-Kamkye mine is situated about 900 metres to the north, just off the map. Jeonheung was the largest gold, lead and zinc mine in the Uiseong mining district during 1976-1988.



Photographs 13 & 14. Views of the new vein breccia outcrop looking south. The lack of secondary regrowth on the forest floor around the outcrop indicates a vegetation anomaly and suggests the presence of toxic metals in the soil profile. The overhead forest "canopy" masks the outcrop from detection by remote sensing methods (Satellite imagery & aerial photography).



Photograph 15. View of the new vein breccia outcrop looking north. Note the lack of understory vegetation around the outcrop.



Photograph 16. View of the new vein outcrop looking south. Again, the lack of understory vegetation is obvious compared to the surrounding environment and suggests toxic elements are in the soil.



Photograph 17. The unrecorded adit located east of Jukdong North, shown by a local resident (right) to the Registered Geologist (left). A 2-metre wide, subvertical, sulphide-quartz-clay vein breccia structure is evident in the adit roof. The surrounding wall rocks are composed of argillic clay altered, gently-dipping purple-green siltstones and mudstones of the Sagok Formation.



Photograph 18. Epithermal vein breccia, with "jigsaw" quartz (cloudy white), chalcedony (light grey), adularia (pink) and sulphides (dark grey), Jukdong adit (chalcopyrite grain shown in red). Sample No 00006: 0.25g/t Au, 345g/t Ag, 1.11% Cu, 1.47% Pb, 0.16% Bi & 73ppm Sb.



Photograph 19. Subcropping vein structure in the hill above the adit at Jukdong North. There is a lack of understory vegetation surrounding the veining, but a thick layer of decayed organic material is well-developed, suggesting the presence of toxic elements in the soil profile quickly kill off any fresh juvenile shoots.



Photograph 20. Looking along strike at the steep-dipping vein breccia exposed in the adit roof at Jukdong North.



Photograph 21. Exposed open stope looking down to lower level (timber props support the walls).

Corporate Fact Sheet

Korean Metals Exploration Limited is focused on developing its gold-copper-silver-zinc-lead projects, situated in the Gyeongsang Basin of South Korea.

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 September 2022 (estimated)

Corporate	\$797,000
Capital Raising Costs	\$162,364
Exploration	\$991,136
Total Expenditure =	\$1,950,000

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

Total Cash held = \$200,000

Capital Structure as of 30th October, 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)
Current Capital Raising =	3,000,000 – 6,000,000 Shares (with attaching Options)

The Board

Garrick Higgins	Non-Executive Independent Chairman
Chris Sennitt	Managing Director
Kim Wan Joong	Executive Director
Waldemar Fick	Non-Executive Director
Peter Bird	Non-Executive Director

