KORAB RESOURCES LIMITED

ANNUAL REPORT
AN 515
BATCHELOR, N.T.

YEAR 3
Period Ending 27th September 2008

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for

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SUMMARY

Korab Resources' activities on AN515 in Year 3 of tenure have included field activities that have significantly added to the knowledge of the distribution of phosphate, base metal, uranium and iron ore mineralisation within the tenement.

A program of rock and soil sampling has been done covering the entire tenement. 47 rock samples and 111 soil samples have been collected and assayed with some significant results.

Additional work is warranted and planned for Year 4.

1 INTRODUCTION

This document is the third annual report for the tenement Authority North 515 (AN515). It describes work carried out during the period 27 September 2007 to 26 September 2008.

2 TENEMENT STATUS

The tenement was originally granted for six years to Korab Resources Limited (Korab) on the 27 September 2005. AN 515 comprises one sub block with an area of 2.6 square kilometers. Figs 1 and 2 show the location of AN 515.

3 LOCATION

AN 515 is located approximately 2 kms. west of the township of Batchelor in the Northern Territory of Australia. The centroid of the tenement is at approximately WGS 84 coordinates 131.003E and 13.040N.

The tenement covers the southern portion of Castlemaine Hill which is a prominent wooded topographic feature of the region. It is bounded by fencing of Menelling Station, an abattoir facility currently not operating as such and owned by Malaysian interests, Global Livestock Corporation. The freehold land is used only for limited cattle grazing for the export cattle industry.

4 GEOLOGY

The tenement is underlain by Proterozoic rocks of the Pine Creek Orogen.

Castlemaine Hill, the topographic high portion of the tenement is a more or less continous outcrop of the enigmatic "Hematite-Quartz-Breccia (HQB)", a rock type that is still a puzzle to geologists working in the Rum Jungle Uranium Field (RJUF). HQB consists of angular white clasts of quartz in a matrix of fine grained quartz and hematite.

Other varieties of the HQB include hematite-quartz mudstones, sandstones and shaley varieties. Rare occurrences of conglomerate have also been found. Locally a phosphate rich variety has been located with the P2O5 being in the mineral, fluorapatite.

The phosphate mineralisation was discovered during routine ground radiometric surveys targeting uranium mineralisation durig the 1960s. With the recognition of the phosphate mineralisation associated with low level radiometric anomalies the BMR searched for further phosphate mineralisation using Geiger counters. The Geolsec Phosphate prospect found during this era falls within the boundaries of AN 515. The Geolsec prospect has a reserve estimate of 1,016,000 t with a minimum grade of 10% P2O5 (Pritchard and Cook, 1965).

The stratigraphic position of the HQB in the Proterozoic column as well as its origin remains uncertain. The HQB invariably occurs over the Celia and Coomalie Dolostone units and is thought therefore to be derived from those carbonates as a remnant slumped regolith possibly on the flanks of the original biohermal stromatolitic reefs.

The 1984 BMR version of the RJUF geology map assigns the name “Buckshee Breccia Pyb” to the HQB and dates it as Late Proterozoic placing it immediately below the Tolmer Group, Depot Creek Sandstone Member.

The more recent 2003 NTGS geology map of the RJUF assigns the stratigraphic name “Geolsec Formation Pyg” to the same HQB and describes the rock as “Hematitic paraquartzite breccia, milky quartz and chert breccia, hematitic mudstone, siltstone and sandstone, minor phosphatic siltstone and breccia.”

As mentioned above, the HQB unit is always closely associated with one of the carbonate units in the stratigraphy - the Coomalie Dolostone and the Celia Dolostone. These are the two carbonate units, where in contact with black shales in the Lower Proterozoic stratigraphy of the RJUF, are associated with base metal and uranium mineralisation.

The Rum Jungle Creek South open pit that was the location of the RJCS uranium orebody is immediately to the west of the AN515 boundary.

Drilling in the 1960s through the HQB on Castlemaine Hill has intersected carbonate rocks at depth at various locations.

The eastern part of AN 515 which is lowland and devoid of HQB is underlain by the base metal and uranium prospective Coomalie Dolostone and Whires Formation although poorly outcropping. Fig 2 shows the geology of the tenement AN 515.

5 PREVIOUS ACTIVITY

AN 515 being within the RJUF and in close proximity to the RJCS uranium orebody has been subjected to considerable exploration activity in the past.

5.1 1960s

During the 1960s the BMR along with TEP, the operators of the Rum Jungle uranium mines, carried out a considerable amount of exploration on what is now AN 515. Geophysics, costeaning, drilling and mapping were used to initially target uranium mineralisation but then with the recognition of the phosphate mineralisation in the HQB unit, that commodity was targeted. Work was limited to the flanks of Castlemaine Hill and no work was done on the ground over the central, high part of the hill.

Much of the detailed work carried out during this periodh as been hidden in unpublished BMR records. Some of this data has now been sourced and will be digitized by Korab for further interpretation. Further delving in to the Geoscience Australia data bases in Canberra should locate all data from this era.
The reader is referred to the References of the 1960s.

Of some concern to Korab are the number of unfilled costeans remaining from this era. A total of 12 up to 200m long, 4m wide and 2 m deep have been found in the field so far.

Figs 3 and 4 are photos of BMR Costeans #1 and #9. As can be seen no effort at rehabilitation was undertaken.

In addition a waste dump from the mining of the Rum Jungle Creek South deposit has impinged on AN515 causing elevated radiation levels in a valley on the western boundary of AN515 in the vicinity of 716885E, 8557538N. See Fig 5 for a photo of this location.

5.2 1970s and 1980s

In the late 1970s the Northern Territory geological survey was asked to re examine the various BMR discovered phosphate deposits in the Rum Jungle area. The Geolsec Prospect within AN515 was examined in some detail as it was the largest known of the 15 recorded deposits.

Hickey (1979) and Rivers (1979) are records of this work. Work included auger and diamond drilling and shallow pitting. This program concluded that .. “Geolsec grades are patchily distributed, with only 410+_20 tonnes grading above the 18% minimum requirement for biophosphate manufacture”. The report also quite rightly states that .. “the (ore tonnage) survey was restricted to unconsolidated material within 4m of ground surface and does not include information on phosphate contained in deeper rock” (Hickey 1979).

Some of the shallow pits dug during this program as well as drill collars have been left unfilled and Korab wishes the Department to be aware of their presence. See Figs 6 and 7. As with the earlier work, no rehabilitation was undertaken.

5.3 1990s and 2000s

During the last decade several small Darwin based groups have been on site, in some cases with the permission of the tenement holder at the time, and carried out additional sampling of surface known phosphate outcrops.

The most recent group actually carried out some deepening of the BMR Costean No 1 to try to access better grades of phosphate at depth. This excavation has obliterated much of the NTGS pitting done in the 1970s and has left the northern end of the costean in a dangerous and once again unrehabilitated state.
Fig 8 is a photo of this work. There are no records in the NTGS of this work having been carried out under an ML, MC or any other tenement license.
Korab once again wishes to bring this example of unrehabilitated work to the attention of the Department.

Most recently, probably in 2007/2008 gravel has been sourced from the road side in AN 515 as shown in Fig 9.

6 EXPLORATION PROGRAM AND TARGETS

Korab Resources recognises that AN 515 has potential for uranium, base metal and phosphate mineralisation for the reasons listed in earlier sections of this report. The company will be targeting all of these commodities using modern exploration techniques.

7 METHODS

7.1 Compilation of Historical Data

Korab is in the process of locating all records of previous exploration carried out on AN 515. Much of this is in the form of unpublished records in Geoscience Australia archives in Canberra. All of this data is mainly related to the testing of the phosphate occurrences. The references at the end of this report list the documents so far located.

During the next year, once all records have been located, the significant drill hole data, geophysics and geology will be digitized and intetpreted to augment Korab's planned future exploration work

7.2 Surface Rock Sampling

As earlier work testing the rock units had not covered the entire Castlemaine Hill, Korab decided to take grab outcrop, suboutcrop and in some cases rubble samples of the HQB varieties at 200 metre centres over the entire hill.
This was done using GPS control and walking to the predetermined coordinates and collecting a composite grab sample of approximately 2 kg.

Each sample was described geologically by clast %, clast size in mm, and Matrix colour using a Munsell Colour chart. The sample was assigned a unique sample number and sent to NTE Laboratories in Darwin for assay. All data was recorded in an excel spreadsheet.

7.3 Auger Soil Sampling

In the eastern lowlands part of the tenement, off the HQB outcropping area, very little outcrop exists. It was decided to test this portion of the tenement by soil sampling using a Dingo auger. This allowed easy digging to approx 70 cm to collect B and C horizon material. Samples were collected from holes at 100m centres which were backfilled immediately after sample collection. The collected portion of the sample was -2mm material which was stored in Kraft paper bags prior to sending to NTE laboratories in Darwin.

For each sample site, the GPS coordinate was recorded as well as the Munsell colour of the sample itself. This data was all recorded in an excel spreadsheet.

7.4 Assaying

All of Korab's routine soil and rock sample assaying has been done in Darwin at Northern Territory Environmental Laboratories.

Rock samples were routinely assayed for Au, Al2O3, CaO, Fe, MgO, Mn, P2O5, TiO2, Co, Cu, Ni, Pb, Th, U,and Zn.

Soil samples for Co, Cu, Mn, Ni, P2O5, Pb, U and Zn.

8. WORK DONE AND RESULTS

8.1 Compilation of Historical Data

This aspect of Korab's work is in its early stages as some of the historical documents have only recently been located in the GA (ex BMR) archives in Canberra.

Of special note are the documents Pritchard (1964) and Pritchard et al (1966). The former gives the results of laboratory tests on the Geolsec phosphate samples and the latter details of all the drilling done by the BMR. This drilling had shown that high grade phosphate was present at depth, beyond the depth to which the NTGS had based their conclusions on tonnages in their 1970s work.
This compilation work will continue through to next year.

8.2 Rock Sampling

A total of 47 rock samples have been collected from the Castlemaine Hill HQB outcrops. Their sample numbers are WF110501 to 110547 and details are shown in Appendix 1 amalgamated with the Auger soil sample details. Fig 11 shows their location.

Most rock samples were of the HQB breccia, sandstone and mudstone varieties which are well documented. Other varities sampled in the field included conglomerate and a shaley mudstone. One sample (WF110546) of a hematite rich variety of the HQB was collected from rubble but no outcrop was located. Another sample (WF110547) was taken from the old BMR trench at Geolsec which was a low density, friable variety of the phosphatic rock.

Appendix 1 shows the details of rock sampling:

- Planned coordinates and actual field coordinates
- The HQB lithology
- If a breccias, the clast %, clast size, matrix colour using the Munsell system

The 45 normal HQB samples showed variation only in 5 of the elements analysed, Appendix 2 shows assay results.

Alumina (Al2O3) varied from 3.8 to 0.4 % with an average of 1.08%;
Iron (Fe) varied from 37% to 0.4% with an average of 6.8%;
Manganese (Mn) varied from 1.42% to less than 20ppm with an average of 613ppm.
Thorium (Th) varied from 6ppm to less than 1ppm.
Uranium (U) had a range from 75 to less than 5ppm.

The high hematite HQB sample (110546) predictably assayed 64.8% Fe which is oregrade.

The phosphatic HQB sample (110547) returned 25.6% P2O5 along with 15.4% Al2O3, 14.7% Ca, 8.7% Fe, 48ppm Pb and 165ppm U along with background values in Cu, Th and Zn. This rare high alumina variety of the phosphate rock is described in Pritchard (1964) and comes from the southern end of BMR Costean 1. Other varieties of the phosphate rock at Geolsec are not so high in alumina.

8.3 Soil Sampling

Off the topographic high, Castlemaine Hill, the low lying areas were tested with soil sampling at 100m centres. 111 samples were collected and their details are also shown in Appendix 1. Fig 11 shows the sample sites. The Munsell colour chart system was used to describe the soil colour. Appendix 3 shows assay results.

Soil Samples have been assayed for Co, Cu, Ni, P2O5, Pb, U, Mn and Zn.
The maxima for each element in ppm from the 111 soil samples collected are:

Co 138, Cu 270, Mn 8410, Ni 80, P2O5 8000, Pb 428, U 30, Zn 220.

Of these the Co, Cu, P2O5, Pb and Zn are of some significance. Sample # 110593 returned the maxima in Co 138, Pb 428 and Zn 220 with support from Ni at 80ppm. This sample came from near the southeast corner of AN 515.

400 metres to the southeast of 110593 there is a cluster of other samples (110557 – 110562) which returned moderately anomalous Co, Cu, Pb, Ni, Zn and U.

Just to the west of here, outside the AN515 tenement there are mapped outcrops of Coomalie Dolostone and Whites Formation which are the host rocks for base metal and uranium mineralisation in the Rum Jungle Uranium Field.

14 of the 111 soil samples returned phosphate values equal or greater than 0.1% with a maximum of 0.8% from sample 110647. This indicates the widespread nature of the phosphate mineralization in the area, even away from the outcropping HQB units.

9. CONCLUSIONS

Work carried out by Korab Resources Ltd during this year has contributed significantly to the search for the stated target commodities of phosphate, uranium and base metal mineralization on AN515. Although not yet fully compiled, Korab has now located all useful historical documents in relation to earlier exploration for uranium and phosphate mineralisation within the AN515 tenement.

In the field, Korab consultants and their staff have located and recognised the remnants of work by the BMR circa 1960s and the NTGS circa 1970s which targeted phosphate at the known Geolsec prospect.

The 111 auger soil samples have returned anomalous values of base metals in the southeast corner of AN515 close by mapped Lower Proterozoic units known to be hosts for U,Cu,Co,Ni,Pb,Zn mineralisation in the area. Base metals are known pathfinder elements for uranium mineralisation in this area.

The 47 rock samples collected have indicated ore grade hematite iron mineralisation to be present within the HQB stratigraphy at Castlemaine Hill. The sample #110546 which assayed 64.8% Fe came from rubble. The outcrop of this material is hidden beneath tallus of the low iron HQB varies.

Only one sample was collected from surface near the known Geolsec phosphate prospect this year and it assayed 25.6% P2O5. No systematic sampling of the Geolsec prospect was planned for this year.

10. RECOMMENDATIONS

Following on from this year's successful exploration the following recommendations are made for Year 4 for AN515:

- Complete the compilation and digitize all historical exploration data pertaining to phosphate mineralisation.

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- Over the entire tenement carry out a detailed ground radiometric survey, including followup work as warranted, using the recently acquired *Radiation Solutions RS-125 Super-Spec* equipment. This will locate local variations in gamma radiation and will delineate HQB hosted phosphate mineralisation as well as uranium mineralisation in the underlying Coomalie Dolostone and Whites Formation stratigraphic units.

- Source and sample any drill core housed at the NTGS Core Library that was drilled through high-phosphate rock units.at the Geolsec Prospect. Such samples can be made available to potential partners interested in farming in to the development of any phosphate orebody within AN515.

- Carry out further drilling at Geolsec where open pittable oregrade phosphate mineralisation is apparent.

11. EXPENDITURE STATEMENT
(TO BE SUPPLIED BY KORAB PERTH)

12. PROGRAM AND BUDGET FOR YEAR 4

The Year 4 planned program is as per outlined in the Recommendation section of this report. It is estimated the work proposed will cost in the order of $25,000.

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Fig 1: Korab Resources Ltd. Batchelor Project Location of AN 515

Fig 2: Korab Resources Ltd. AN 515 on NTGS Geology Base Map

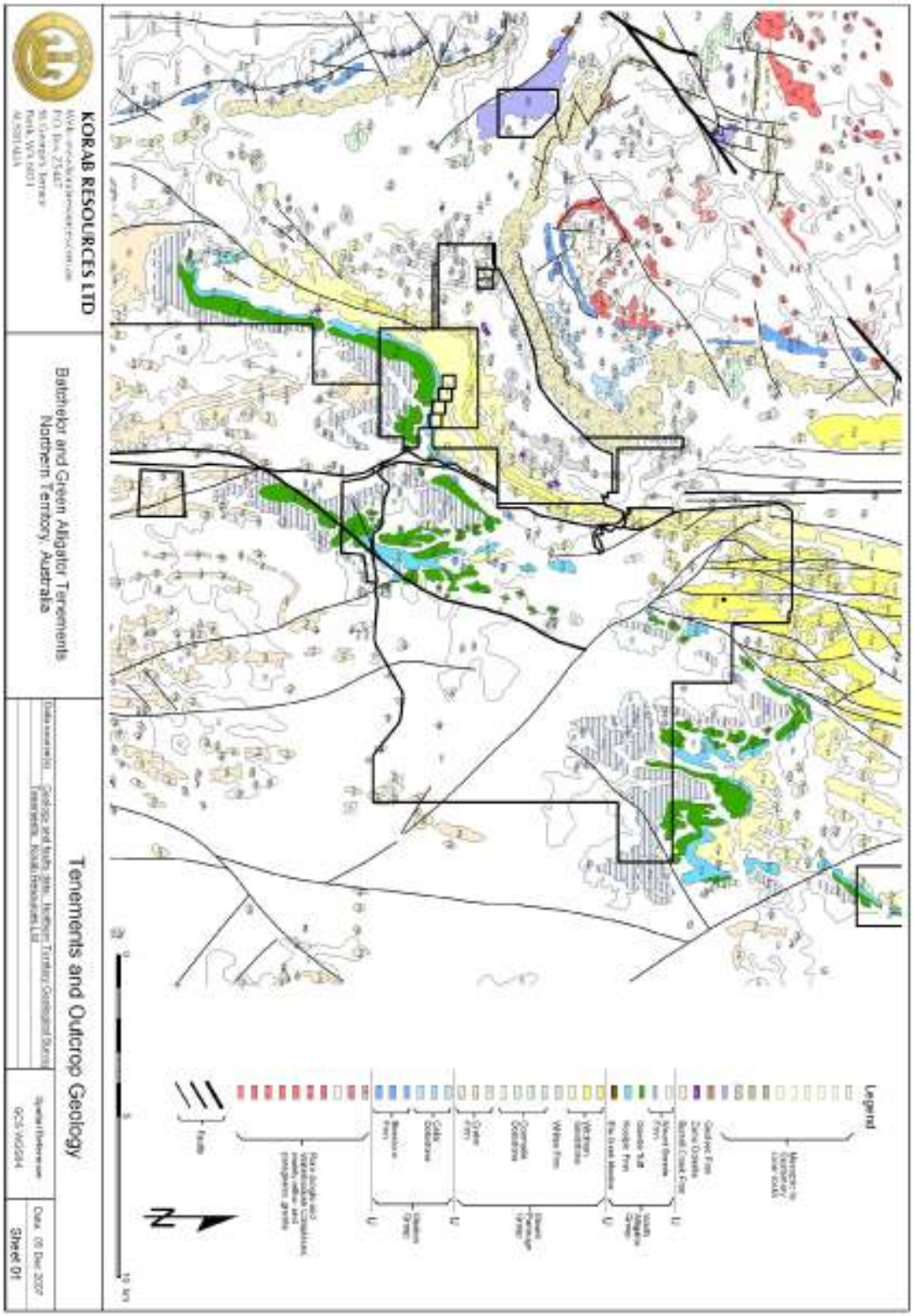


Fig 3: BMR Costean 1 facing south from 717176E, 8558066N.

Fig 4: BMR Costean 9 facing south from 717298E, 8558390N.

Fig 5: RJCS – East edge of Waste Dump facing N looking up W Boundary of AN 515 from 716885E, 8557538N.

Fig 6: NTGS Pit No 38 looking south from 717175E, 8558050N towards Pit 39.

Fig 7: NTGS Drill Collar DDH7 at 717191E, 8558004N showing unplugged PVC Collar.

Fig 8: Recent 2005? Excavation at Geosec at 717178E, 8558065N.

Fig 9: Gravel Pit on edge of track within AN 515, taken from 717217E, 8556600N facing north.

Fig 10: AN 515 Detailed Location Plan

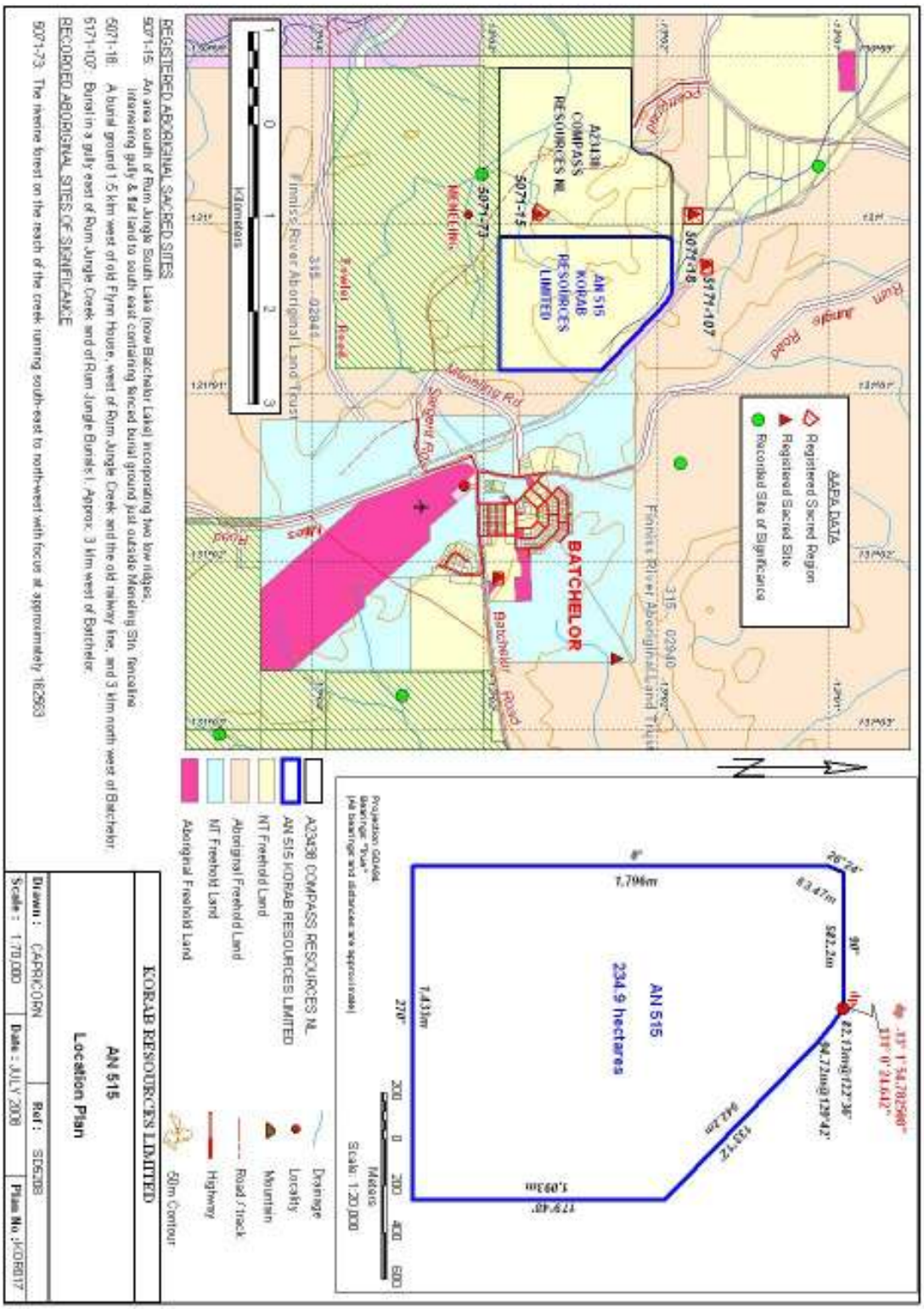
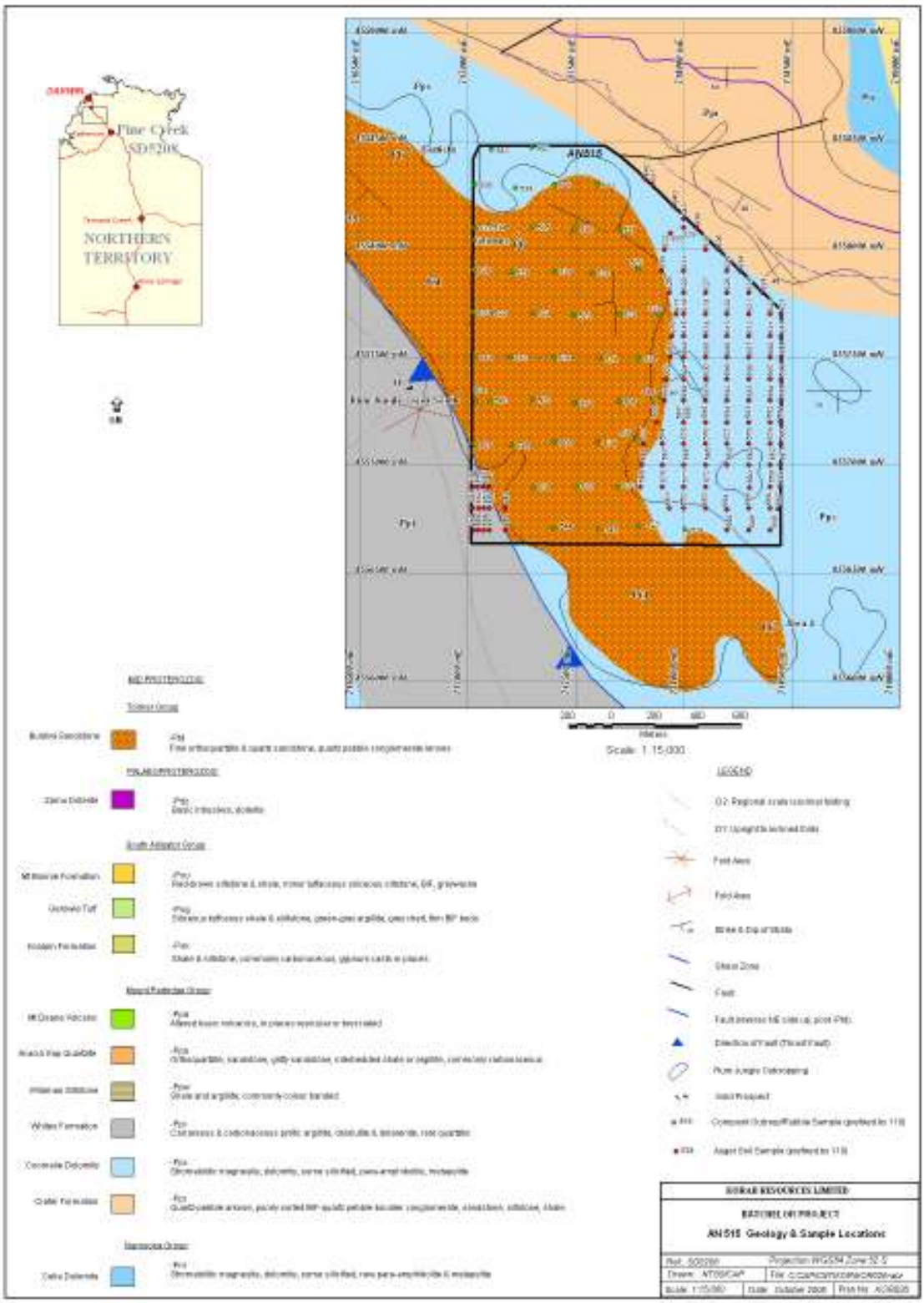


Fig 11: AN 515 Drill Hole Sample Locations on Geology Base



Appendix 1: AN 515 Rock and Soil Sample Data Sheet

Field Data Modified.txt

Appendix 2: Rock Sample Assays (#s 110501 – 110547) NTEL 11420

Rock Sample Assays.txt

Appendix 3: Soil Sample Assays (#s 110548 – 110658) NTEL 11460/11601

Soil Sample Assays.txt