KORAB RESOURCES LIMITED

EL 29550

Annual Report for Year 2

Batchelor Project

Rum Jungle, Northern Territory

Period: 1 August 2013 to 31 July 2014

Mapsheets: Pine Creek SD5208 (1:250K) and Batchelor 5171 (1:100k)

Commodities: Gold, phosphate, copper, nickel, zinc, iron, cobalt.

October 2014

for

KORAB RESOURCES LIMITED

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1. ABSTRACT

This is the Second Annual Report for the EL 29550. The tenement is a result of amalgamation of several exploration licences and it constitutes the Batchelor Project operated by Korab Resources Ltd. EL 29550 was granted on 1 August 2012 and was an amalgamation of previous ELs 24818, 24855, 25133, 25135, 25136, 27683, 27875, 28348 and 28867.

In Year 2, work consisted of: prospecting; mapping of outcrops of Mt. Deane Volcanic unit (MDV); collecting of rock chip and soil samples (10 rock chip and 20 soil samples were collected); assessing of ground conditions for ground electromagnetic, gravity and induced polarisation surveys; site verification for drilling; planning of aerial electromagnetic survey; commencing interpretation of all geochem data (rock-chips, drill chips and core drill data) with focus on pathfinder mineral and elemental ratios; digitising of past data; continuing the compilation of data base from historical and Korab generated geochemical, geophysical and geological data including data from open file and closed file reports, government data bases and private vendors; commencing of metallurgical test work on samples from Winchester to test them for calcining potential; commencing of scoping study for the development of the Winchester magnesite deposit as direct shipping ore mining operation.

Review has shown the Au potential to be limited to the northern section of the licence and to the Sundance mineral leases which are wholly contained with the licence. Several Cu anomalies were confirmed proximal to major syncline and to minor faults and in the vicinity of buried conductors associated with faulting. Two of these Cu prospects are associated with Ni anomalies and potential conductors. Four Zn prospects were assessed; three of them are associated with Cu and Ni anomalism. TEMPEST data shows conductive rocks at shallow depth below these anomalies.

There appears more MDV outcrop than previously assessed. Rock samples taken from MDV outcrop have not yet been assayed but visual inspection of weathered rock suggest potential for massive sulphide at depth. Where MDV outcrops it occurs in difficult terrain and mapping is difficult. Field mapping of MDV also is difficult because it is obscured by Acacia Gap quartzite. Data collected in field is still being converted to digital format.

2. INTRODUCTION

This document is the Second Annual report for Exploration Licence 29550. It covers the period 1 August 2013 to 31 July 2014.

3. TENEMENT STATUS

EL 29550 was granted on 1 August 2012 and was an amalgamation of previous ELs 24818, 24855, 25133, 25135, 25136, 27683, 27875, 28348 and 28867. The EL covers 171 square kilometres.

4. LOCATION

EL 29550 is located approximately 60 kms south of Darwin and approximately 2kms east of the township of Batchelor. It is accessible by Stuart Highway, Batchelor road and Crater Lake road. The centre of the tenement is approximately aligned with Stuart Highway. The centroid of the tenement is at approximately 730,000E and 8,558,000N in GDA 94 Zone 52 grid coordinates.

Figures 1 and 2 show tenement location relative to Darwin and to local towns and features.

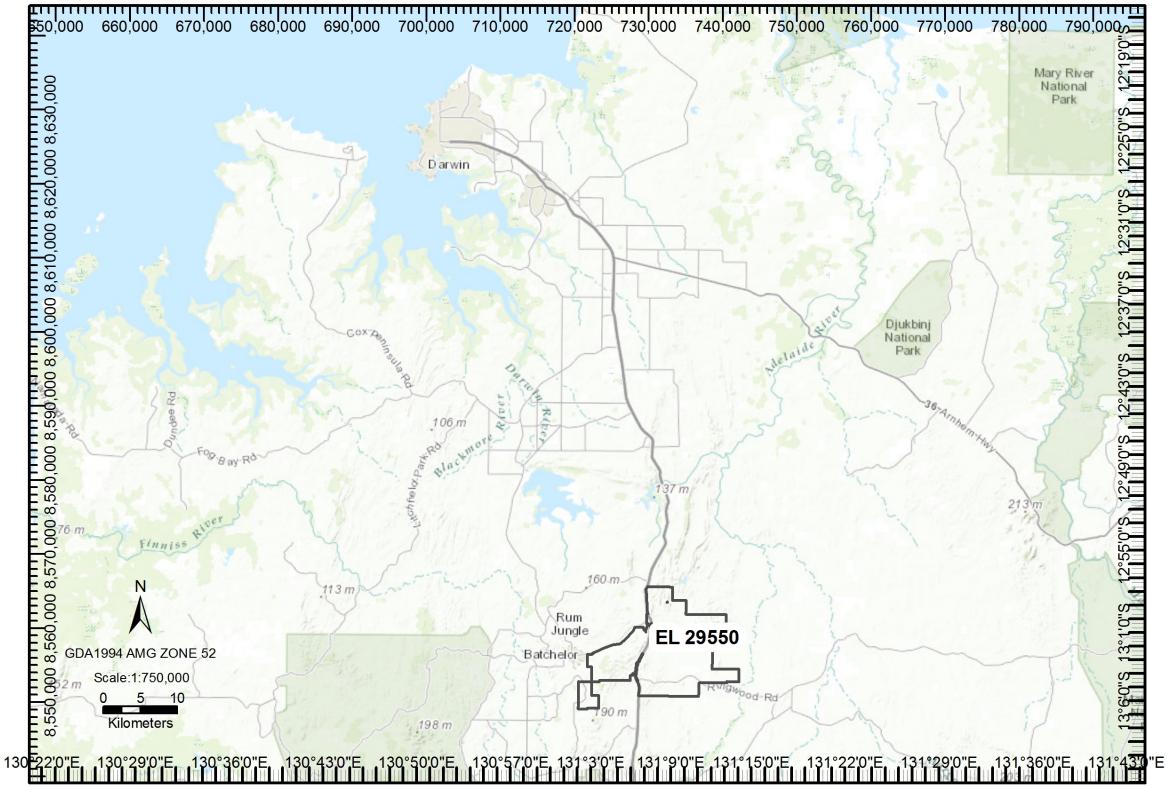

Figure 1 Tenement location relative to Darwin

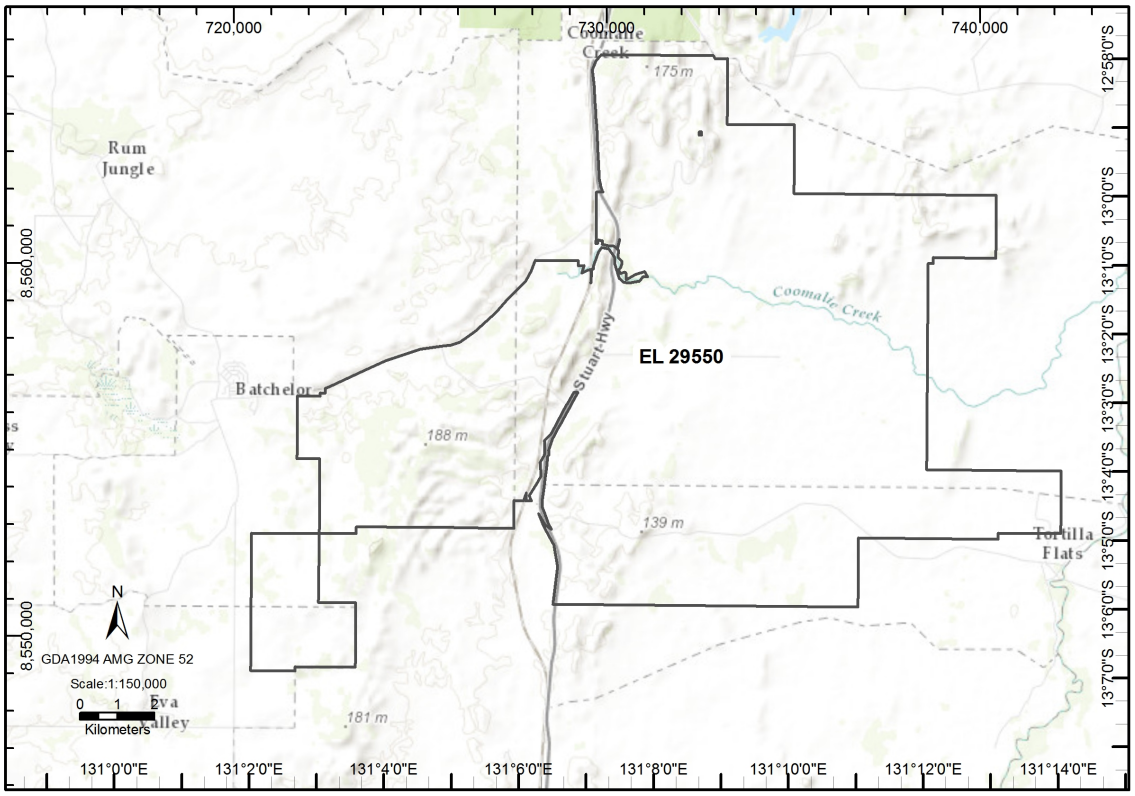

Figure 2 Tenement location relative to Batchelor

5. GEOLOGICAL SETTING

The tenement is located within the Rum Jungle mineral field. The Rum Jungle area is located south of Darwin in the Northern Territory, Australia. The Rum Jungle field lies on the western side of the Pine Creek Inlier where Palaeoproterozoic low-grade greenschist facies metasediments are unconformably draped around two Archaean granitic basement complexes - the Rum Jungle Complex to the north and the Waterhouse Complex to the south. Uranium and base metal mineralisation is hosted by graphitic or chloritic pyritic phyllite of the Whites Formation at its contact with the underlying dolomite-magnesite of the Coomalie Dolomite.

The Palaeoproterozoic sequence is locally unconformably overlain by hematite quartzite breccia and by late Palaeoproterozoic sandstone and conglomerate. The larger deposits (White's, Dyson's and Rum Jungle Creek South) as well as many of the smaller prospects show a spatial association with this unconformity. The two basement complexes together with the Proterozoic rocks are displaced dextrally by 4 to 5 km along the regional Giant's Reef Fault, creating a wedge-shaped embayment of sedimentary rocks, juxtaposed against the Rum Jungle Complex in the south-eastern block.

Unconformity-style uranium mineralization in the Rum Jungle area is known to occur dominantly at particular stratigraphic horizons in the sedimentary packages overlying the Rum Jungle (and associated) basement granites, and so exploration is largely restricted to these rocks units – hence the distribution of the Company's titles.

The main area of interest at present is the Mt. Deane volcanic unit which is prospective for nickel and base metals. Wildman Siltstone units of the Mt Partridge Group in the Lower Proterozoic Pine Creek Geosyncline and the Koolpin Formation within the South Alligator Group are prospective for uranium and gold mineralisation and host a number of existing and historic uranium deposits in the region.

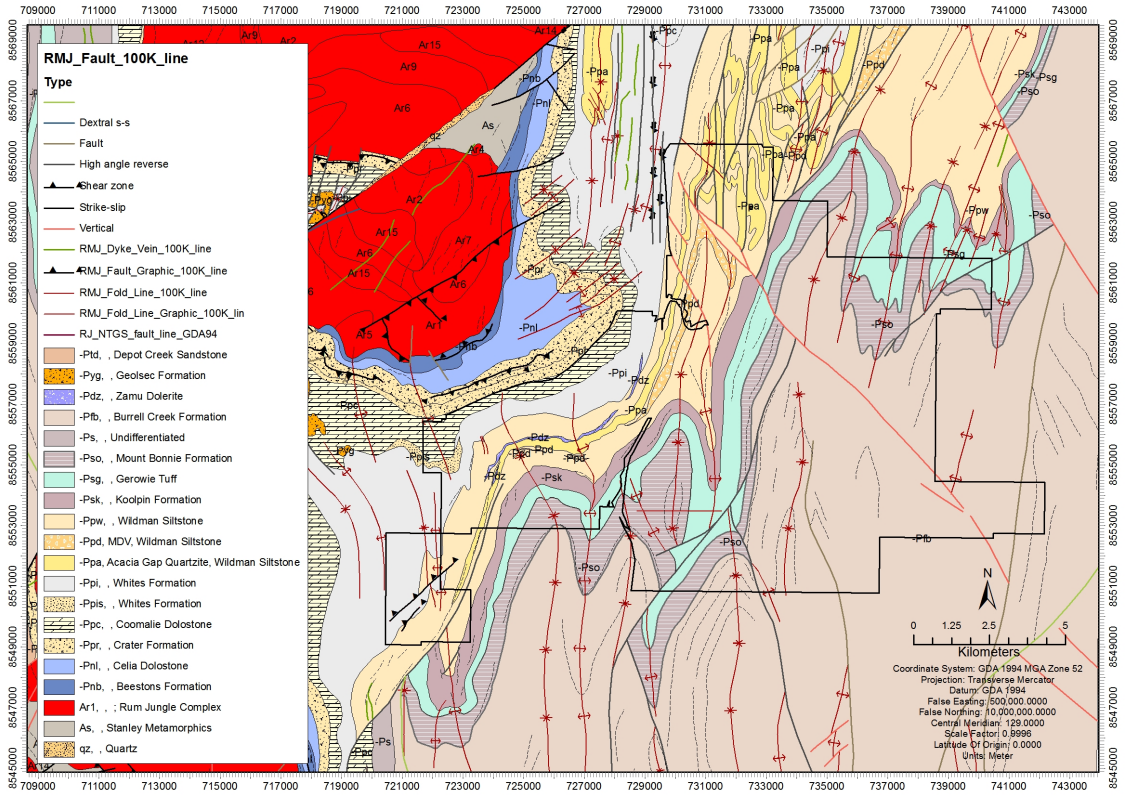

Figure 3 General interpreted geology

6. PREVIOUS EXPLORATION

The tenements area has been subject to various regional surveys for a range of commodities including uranium, copper, zinc, lead, nickel, silver and gold.

Stream sediment sampling was completed over large areas north from the Adelaide River and weakly anomalous zones were outlined. A regional soil sampling program was completed for base metals, gold and uranium. Several areas with elevated metals content in soils were outlined. Regional stream sediment sampling found numerous zones of elevated metals content.

At the Woodcutters Mine, northeast of the project area, the black shale type Pb-Zn mineralisation occurs in shear zone within the White's Formation along the Coomalie Dolomite contact, in the stratigraphic position identical to the Rum Jungle uranium and polymetallic mineralisation. Sulphide ore bodies occurred as 400m long, 25m-wide massive lenses and sheet veins, controlled by north-south trending faults and dilation zones. 6 million tonnes of ore was mined at a grade of 12% zinc & 6% lead. Mining ceased in 1999.

Within the area of the Winchester magnesite deposit and the Sundance gold deposit, grid geological mapping followed up by ground radiometric and magnetics, bulldozer costeaning, auger drilling and geochemical sampling over the area have been provided. During 2004, most of the holes drilled for magnesite and located to the east of the Winchester deposit were assayed for gold, zinc and lead. Although the database was incomplete, a number of elevated zones were identified including the Telegraph prospect where shallow drilling intersected a wide zone of elevated zinc values.

In the White Bomb Pb-Zn prospect, exploration included initial alluvial sampling at Sundance, and trenching at White Bomb and White Bomb East Gossans. A stratigraphic interval containing White Bomb, OXY anomaly and the CRA anomaly may contain a large lead-zinc ore body and consideration should be given to extensive electromagnetic surveys over the whole area. No mapping was carried out around the project area. A gravity survey was completed with inconclusive results. Five holes were drilled with the best intersection of 6m at 12% Zn and 2% Pb. Rock chip samples got a maximum value of 2860ppm Zn.

The Occidental Pb-Zn project occurs in a dolerite sill, and mineralization is thought to be similar to the White Bomb deposit.

The tenements which were amalgamated into EL29550 were previously subject to extensive rocks chip and soil sampling and limited Reverse Circulation and Diamond Drilling programs completed by Korab. The sampling led to discovery of several nickel and polymetallic anomalies associated with Mt. Deane volcanic unit which were subsequently drilled, initially with RC, and then followed up with DD tails. Both RC and DD drilling intercepted multiple low level anomalies grading 0.1% to 0.2% Ni over 70-120 meters along hole, however drilling failed to intercept the higher grade mineralisation. DD core was submitted for HyLogger scanning and for petrographic and petrological analysis. Rock chip and drill chip samples were also submitted for petrological analysis. The Ni and Cu mineralisation within samples was shown to be associated primarily with pentlandite and chalcopyrite. All above results were reported and submitted in prior years.

7. EXPLORATION PROGRAM AND TARGETS

The program is focusing on the nickel and base metals mineralisation with gold being of secondary interest at this stage. The work is focusing on planning of a small (up to 21 holes) RC drilling program, prioritising drilling targets, sampling of rock chips from outcrops and where appropriate sampling of soil, and stream sediments and analysing the geochemistry from samples collected over the years together with TEMPEST and other geophysical data, structural data, and geology (surface and interpreted).

8. METHODS

Most of the work concentrated on prospecting, mapping of the Mt. Deane Volcanics (MDV), sampling of the MDV outcrop, site assessment for ground EM and IP surveys, site assessment in preparation for drilling, digitising of the maps, compilation of the geochemical data base and review of the TEMPEST data,

conductivity profiles and various maps to locate potential conductors and structural breaks located in the vicinity of anomalies with elevated base metals values in soil and rocks. Review of elemental ratios and pathfinder elements. Planning of aerial EM survey was also commenced.

Korab also commenced scoping study to evaluate potential of the direct shipping ore operation form Winchester magnesite deposit.

9. WORK DONE AND RESULTS

Outcrops Mapping

Mapping of outcrops with a focus on MDV and mafic/ultramafic extrusive units was continuing. MDV outcrops in several areas have been shown to be anomalous in nickel and copper but MDV is often obscured making it difficult to map. Mapping of mafic/ultramafic extrusive units to the north of the MDV outcrop has shown that most of these outcrops are associated with elevated zinc, nickel, copper and cobalt, in RAB drilling, rock chips sampling, soil sampling and in stream sediments draining off the outcrops.

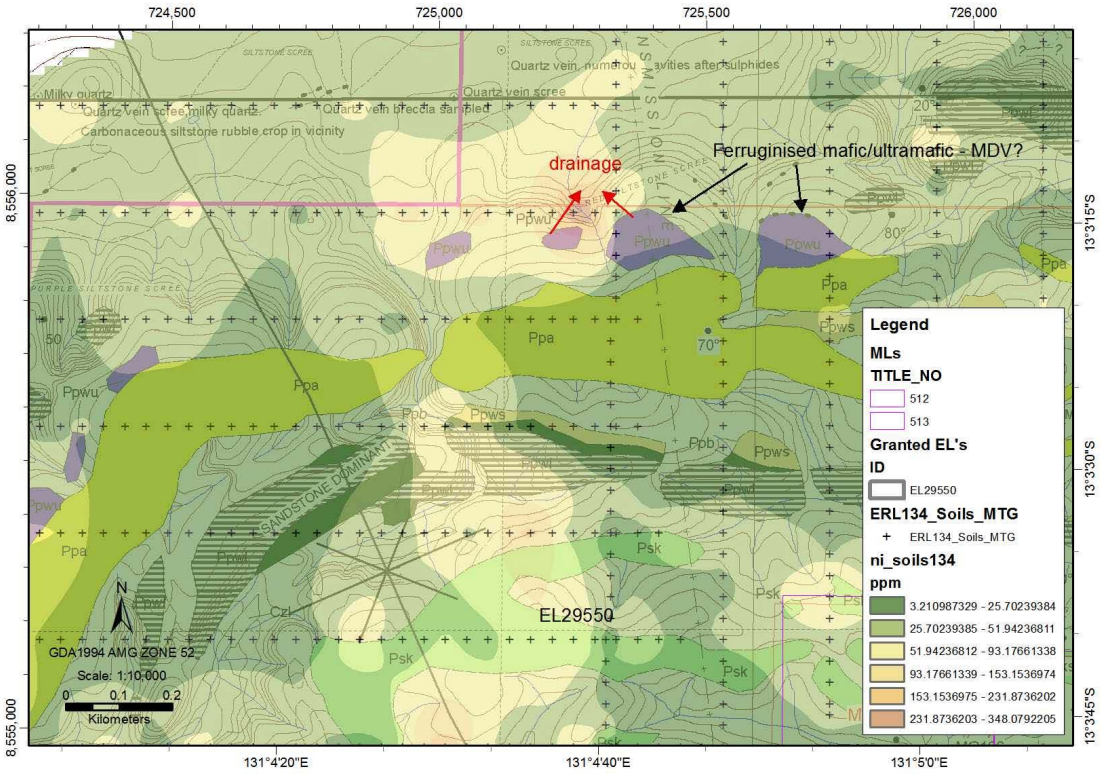

Figure 4 Elevated Ni in drainage and RAB over outcrops and structure

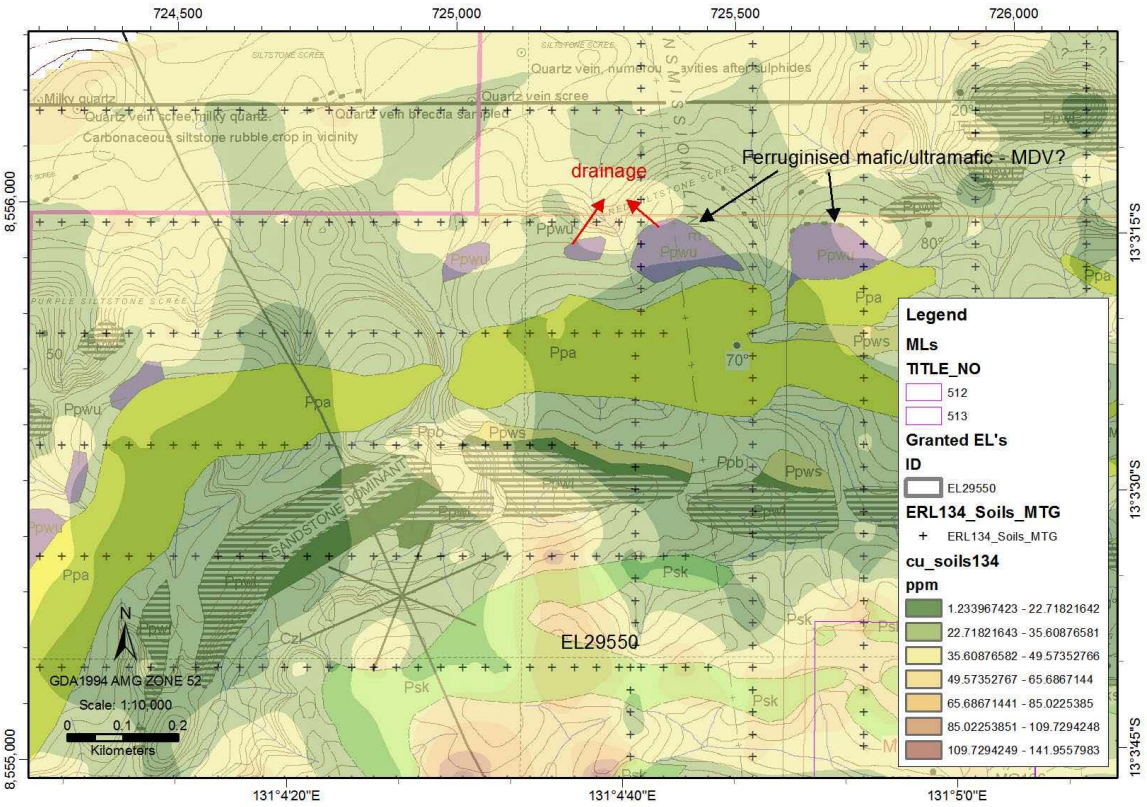

Figure 5 Elevated Cu in soils and RAB over outcrops and structure

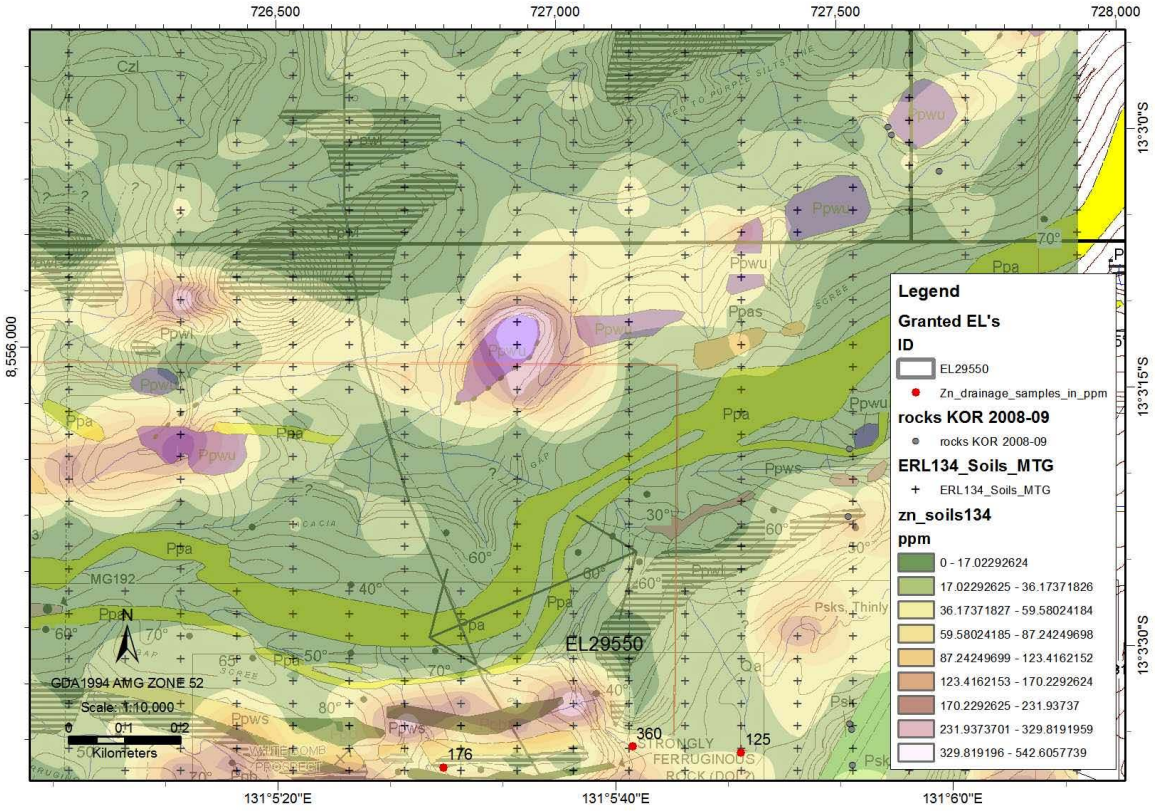

Figure 6Elevated Zn in RAB over outcrops and structure

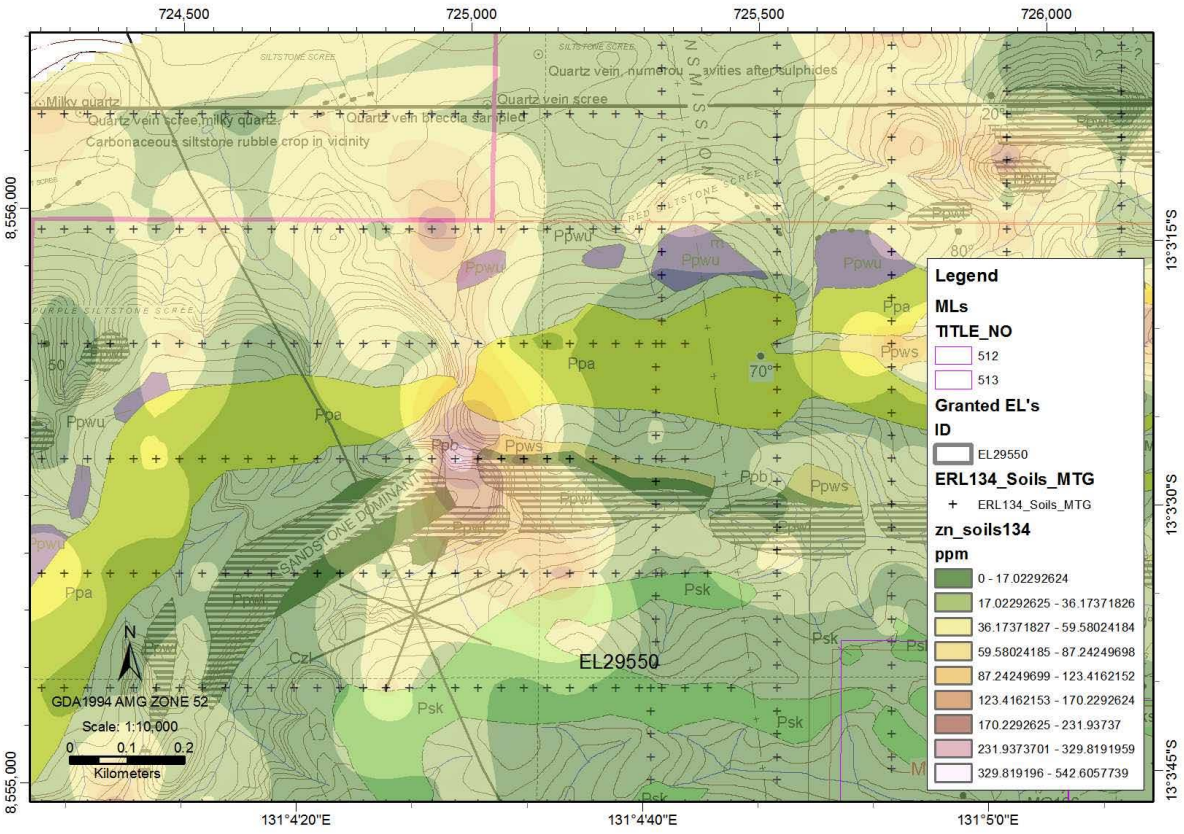

Figure 7 Elevated Zn in drainage and RAB over outcrops and structure

Of equal interest is the association between elevated Zn in RAB samples and siltstone, sandstone/siltstone and quartzite of Wildman Formation. This association should be investigate further. Mapping of the units of interest will continue during year 3 of the licence.

Rock Chip and Soil Sampling

In total, 5 rock chip and 10 soil samples were collected and taken to Europe for analysis which is still pending. The results will be reported together with the result from rocks sampled in year 2 when available. Petrographic analysis will be conducted on anomalous samples. Given the time delay in receiving the result of the assay, it is envisaged hat XRF hand held analyser will be rented or purchased to assist in assaying the rocks and soils in timelier manner. This should also assist in sampling larger number of outcrops and areas of interest.

The main area sampled were outcrops of Acacia Gap Quartzite and occasional MDV outcrop obscured by AGQ. Outcrops of AGQ and MDV in these areas of the licence have shown previously to have elevated nickel and copper.

More sampling using XRF hand held analyser are planned along this ridge and in the drainage areas where stream sediment samples and RAB samples have shown elevated nickel, copper and zinc in historical sampling.

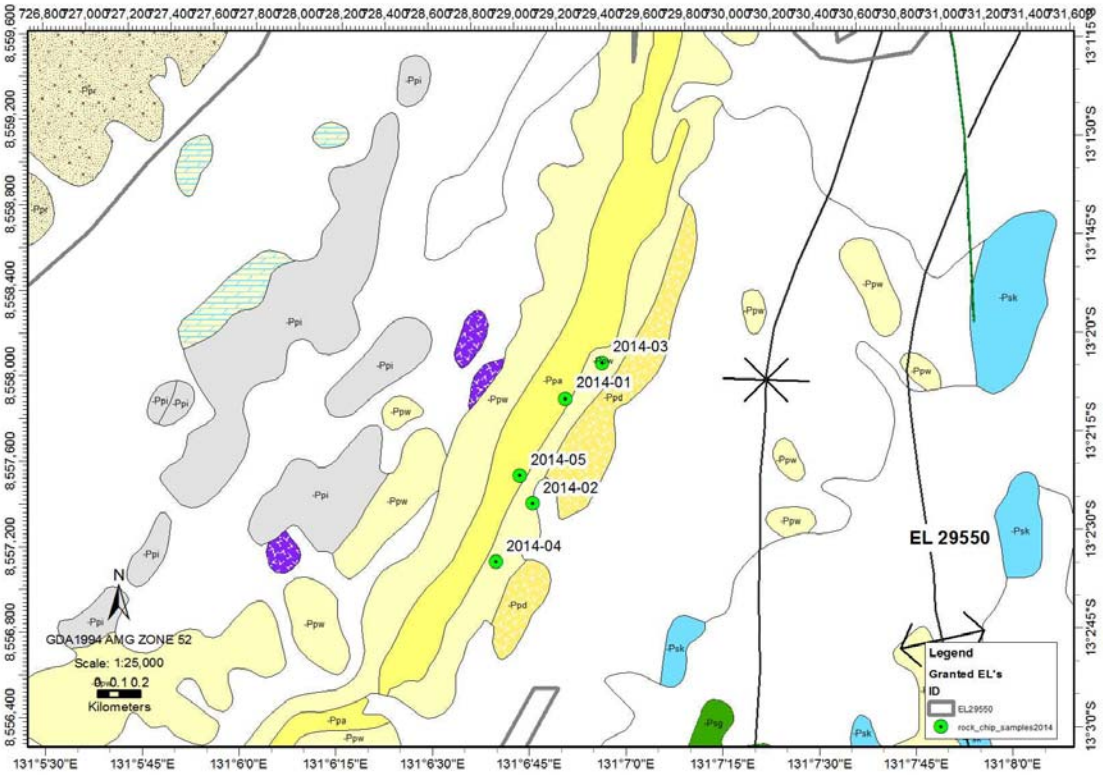

Figure 8 Location of rock chip samples over outcrops and structure

Ground Conditions Assessment

During the reporting period assessment of ground conditions for ground electromagnetic, gravity and induced polarisation surveys was undertaken. The terrain around the hares of main conductors picked-up from low resolution EM survey is difficult to access and the costs of running ground survey would be substantial. It was assessed that initially a high resolution aerial EM survey would be preferable option. Depending on results from the aerial survey, ground survey then could be prepared if necessary.

Drilling Program Review and Amendments

During the period, sites for drilling were accessed to assess the condition and the need for site preparation. Access to the proposed drill sites is not difficult although terrain is hilly. Old tracks and pads prepared during year 1 in preparation for drilling that was planned for year 2 were accessed and confined to be in good condition. Drilling program was amended to include 3 more RC holes to the south of the Siltstone prospect. Amended MMP was submitted in September 2014 to include these additional holes. Proposed drill program was revised in view f the result from the compilation and interpretation of the historical and Korab generated geochemical and geophysical data.

The prosed holes include 3 new RC holes to target base metals anomalies south west of Siltstone Ni, Cu, Co anomaly. Proposed drill sites on geochem, mapped outcrop and structural data are shown below.

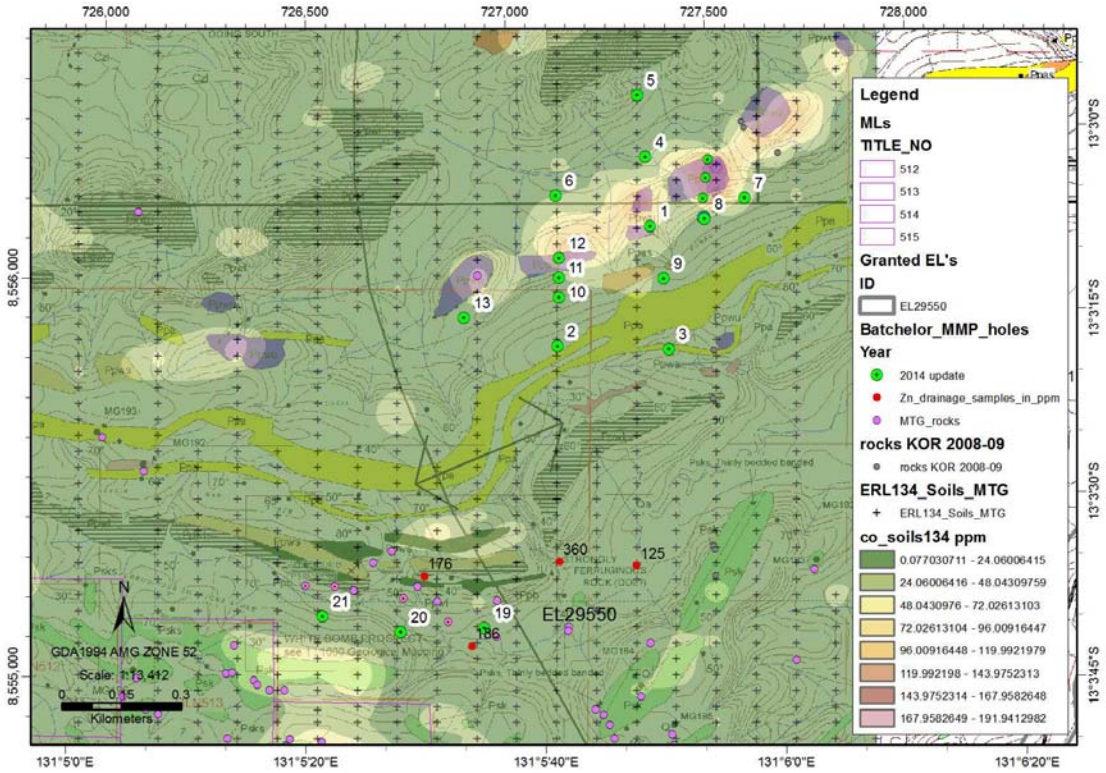

Figure 9 Proposed drill sites on Co profile, outcrop and structural features

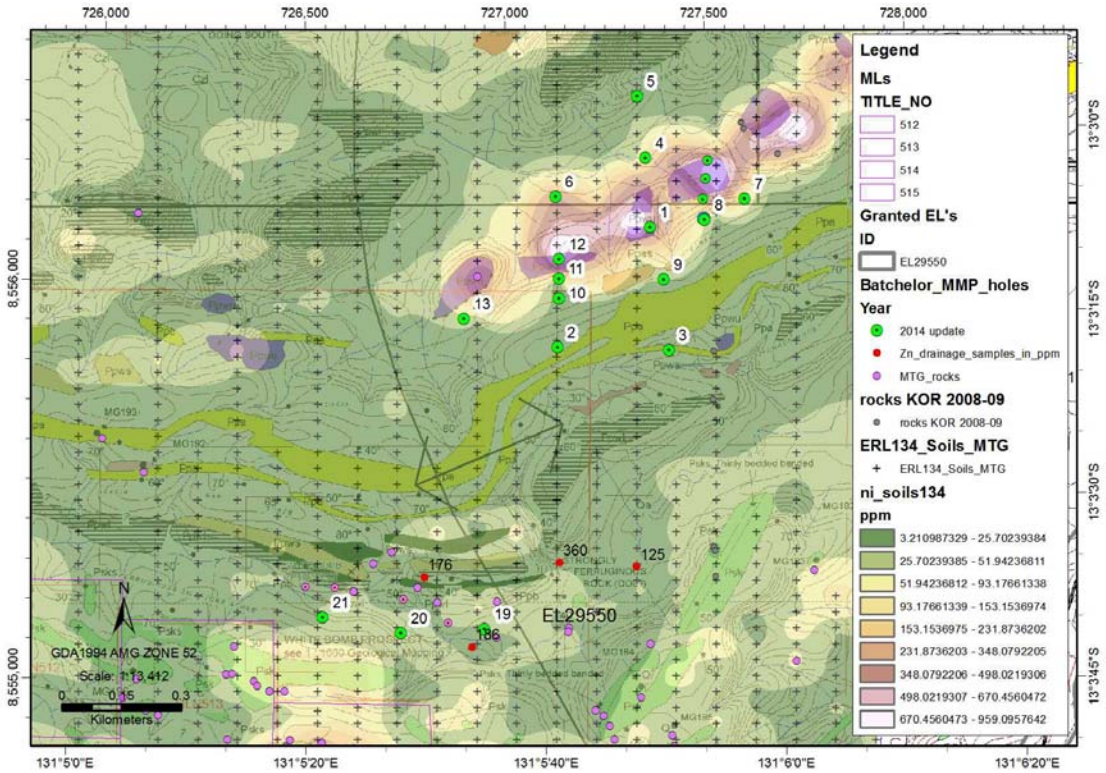

Figure 10 Proposed drill sites on Ni profile, outcrop and structural features

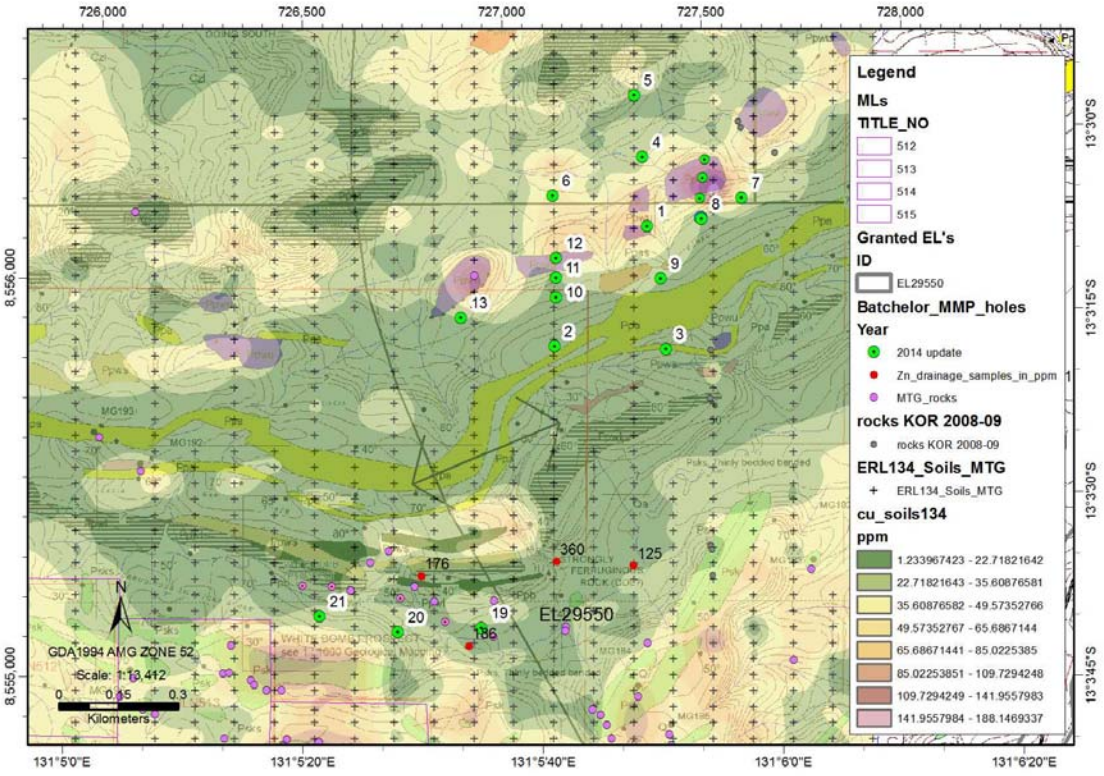

Figure 11 Proposed drill sites on Cu profile, outcrop and structural features

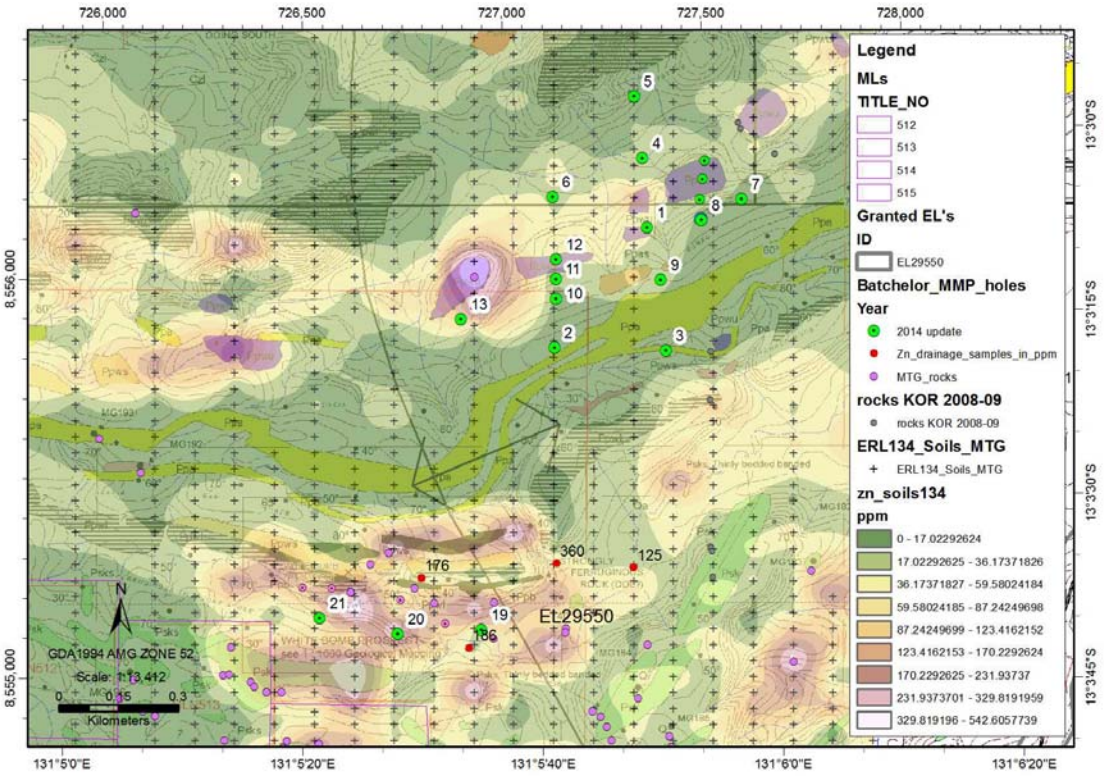

Figure 12 Proposed drill sites on Zn profile, outcrop and structural features

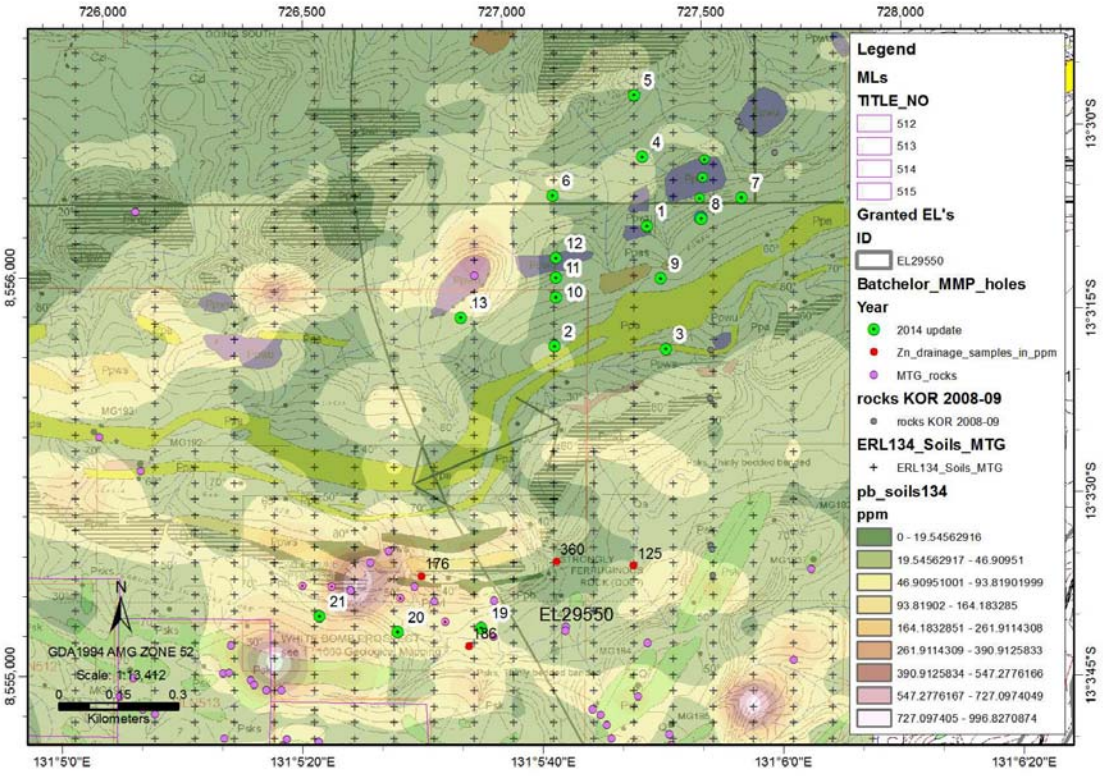

Figure 13 Proposed drill sites on Pb profile, outcrop and structural features

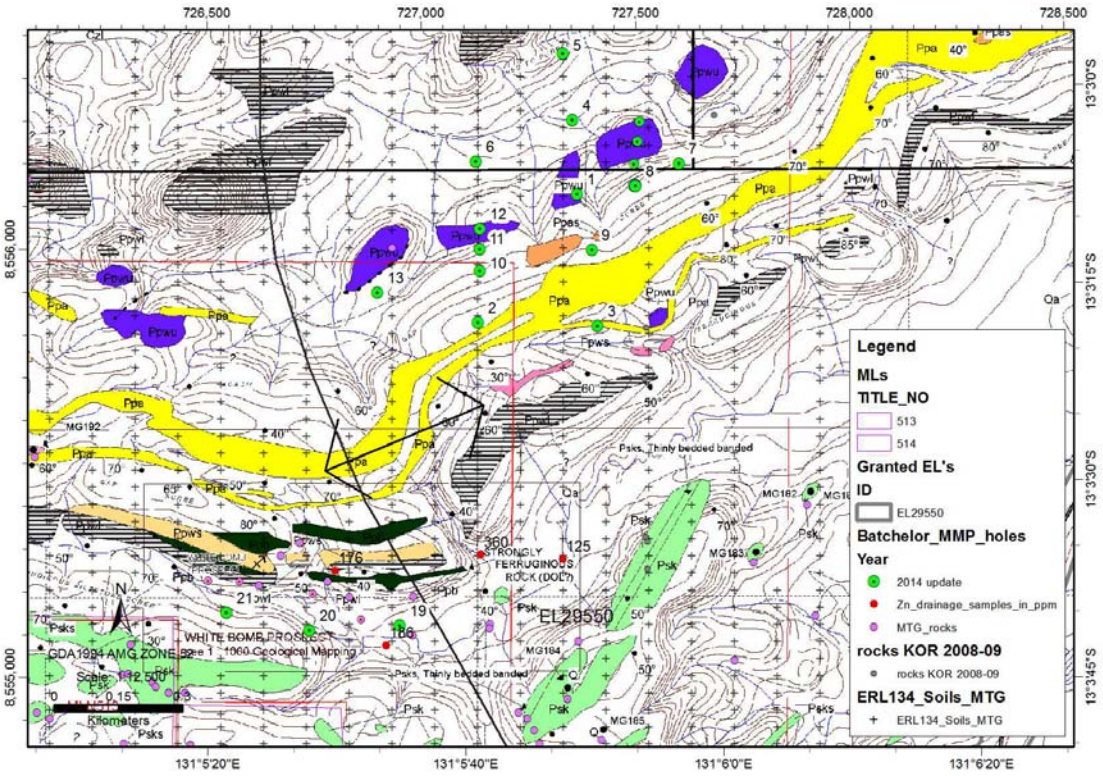

Figure 14 Proposed drilling program on outcrop geology and structural features

Aerial EM survey planning

Planning of EM survey was commenced after site assessment of ground conditions for the ground survey shown that ground survey should be deferred. Initial result from planning of aerial EM survey suggests splitting it into 5 areas of interest and initially running the survey over the areas 1, 2 and 3. Areas 4 and 5 may be also surveyed depending on available funding. It is proposed that at this stage to run the lines at 100 m spacing within areas 1, 2 and 3.

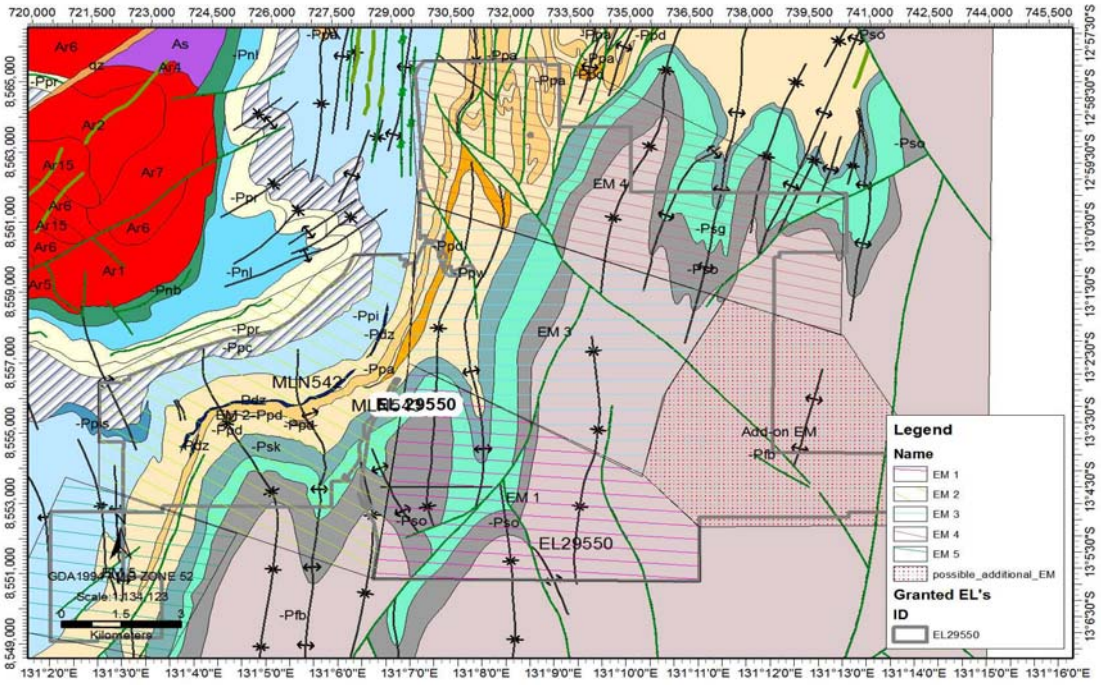

Figure 15 Proposed aerial EM survey over interpreted geology and structure

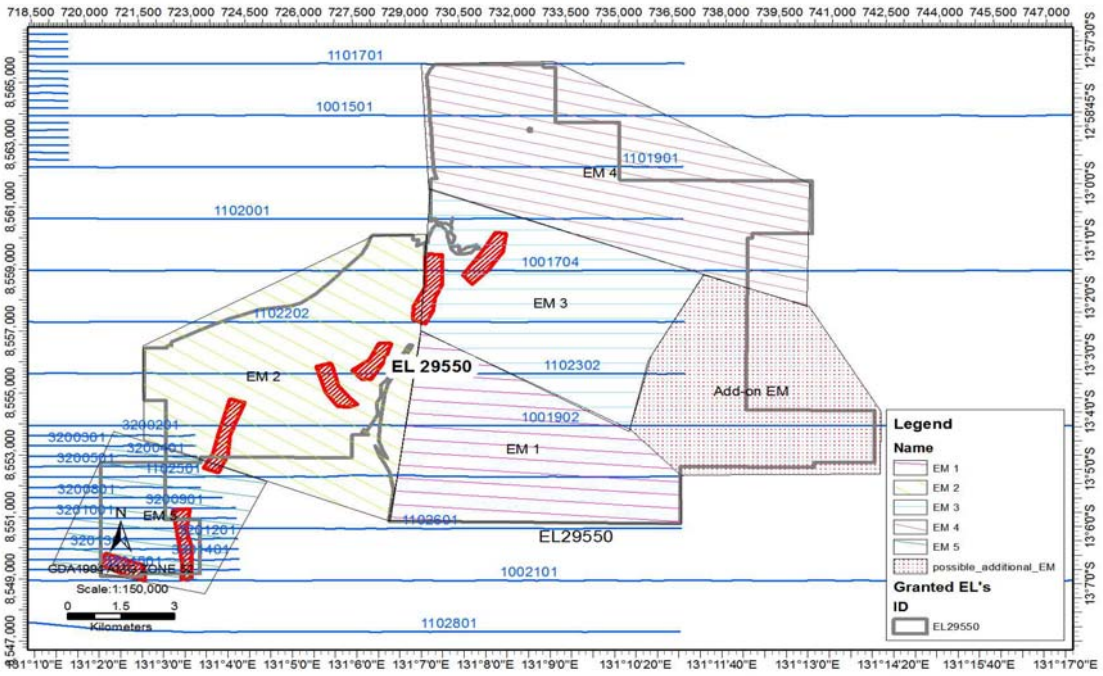

Figure 16 Proposed aerial EM survey over government TEMPEST lines and predicted conductors

Geochem Data Review

During the reporting period the company commenced interpretation of all geochem data (rock-chips, drill chips and core drill data) with focus on pathfinder mineral and elemental ratios. This review is continuing. Early results suggest that this may be of use around Siltstone anomaly but in other areas it is too early to say if this approach will produce results that can be applied in field for targeting areas for further exploration work.

Historical Data Digitising and Data Base Compilation

The company continued the compilation of data base from historical and Korab generated geochemical, geophysical and geological data including data from open file and closed file reports, government data bases and private vendors.

Some of the results of this work are shown below. The work was of considerable benefit and it advanced our understanding of the relationship between the outcropping rocks, interpreted geology and structural data. There appears to be a lot more base metals anomalies associated with structural features and with outcropping sandstone, mafic/ultramafic rocks and with MDV than previously estimated. There also appears to be considerable number of new targets for further exploration work over the Whites formation and the Coomalie dolomite. Some of these areas have shown to have consistently elevated base metals or gold over large areas several hundred meters across and associated with outcropping sandstone and mafic/ultramafic units. Number of anomalies showing elevated Zn, Co, Cu and Pb were found with corresponding elevated levels of base metals in stream sediments draining off the outcrops which have shown elevated rock chip samples.

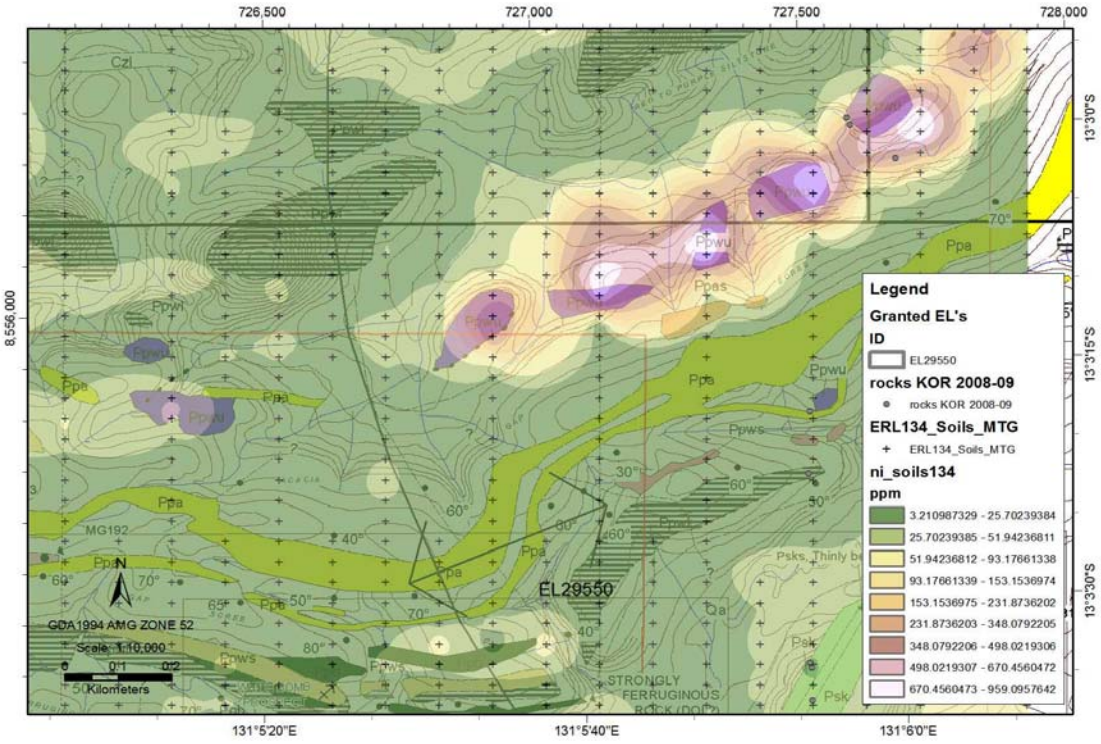

Figure 17 Elevated Ni over outcropping mafic/ultramafic unit

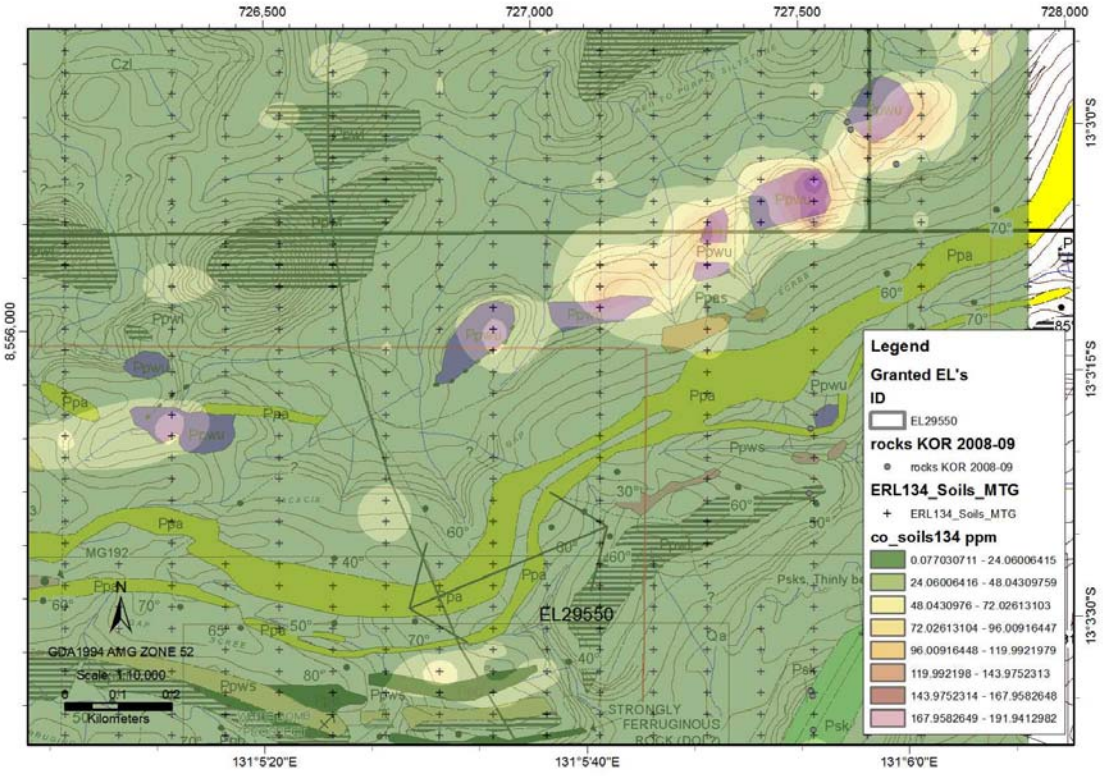

Figure 18 Elevated Co over outcropping mafic/ultramafic unit

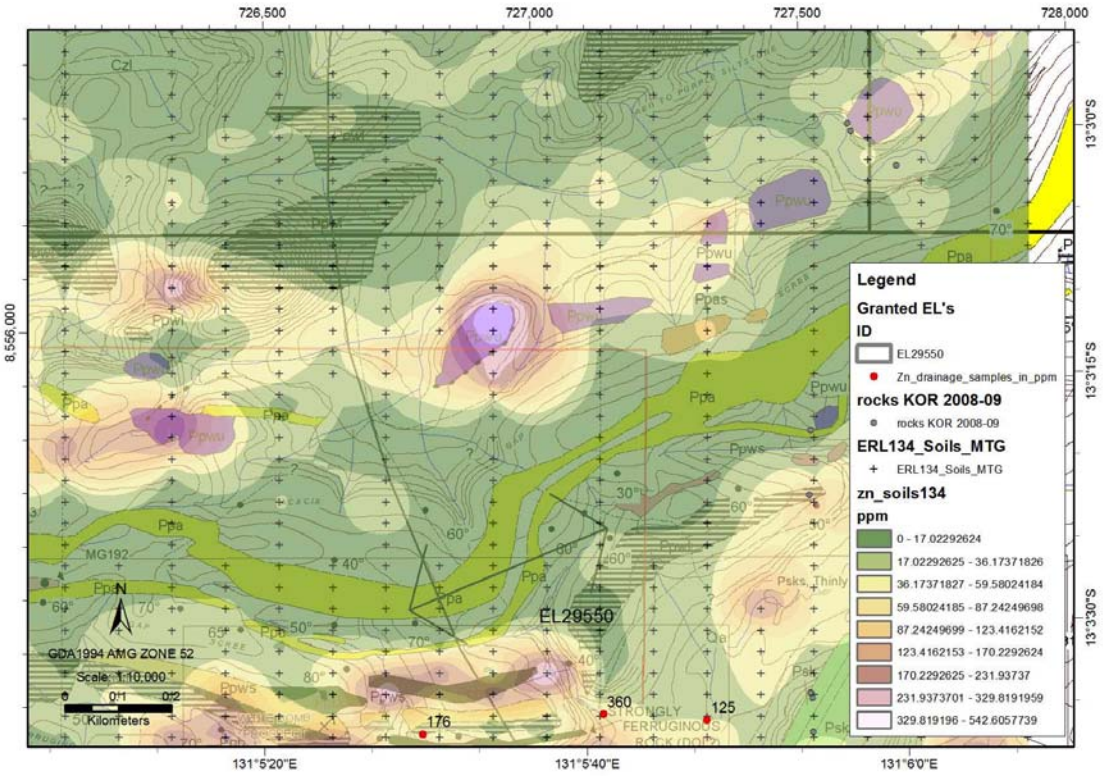

Figure 19 Elevated Zn over outcropping mafic/ultramafic unit and sandstone/siltstone

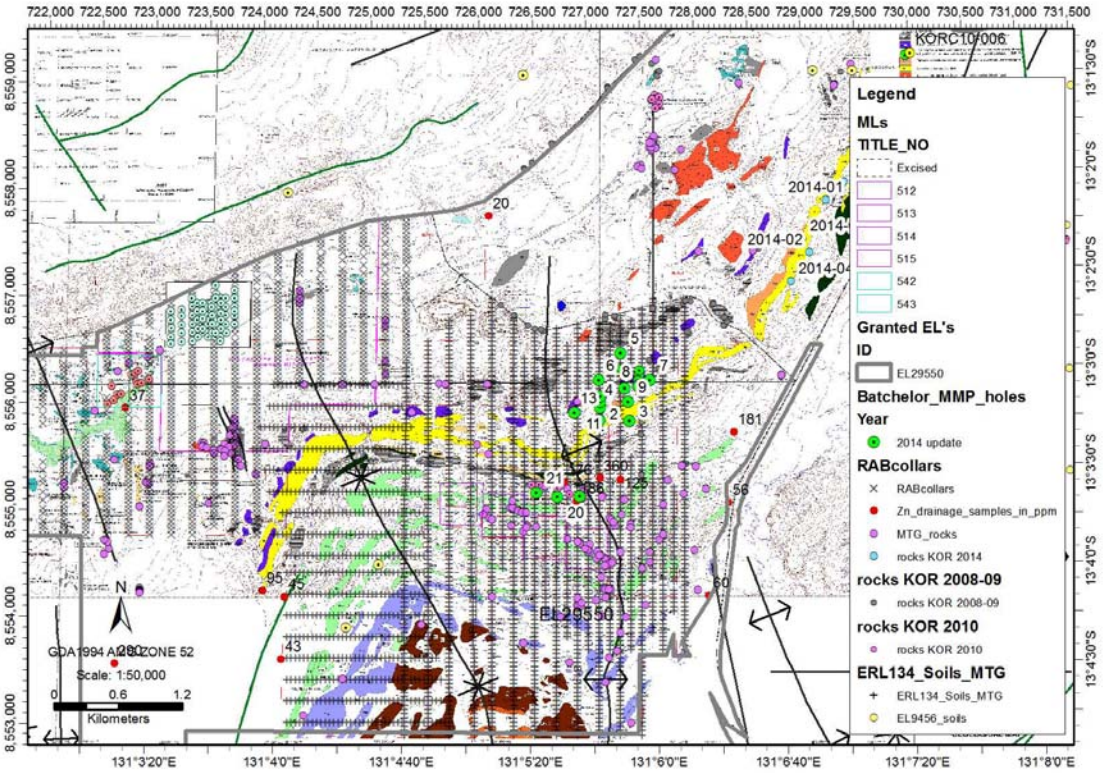

Figure 20 Geochem data sets captured and collated over outcrop geology and structure

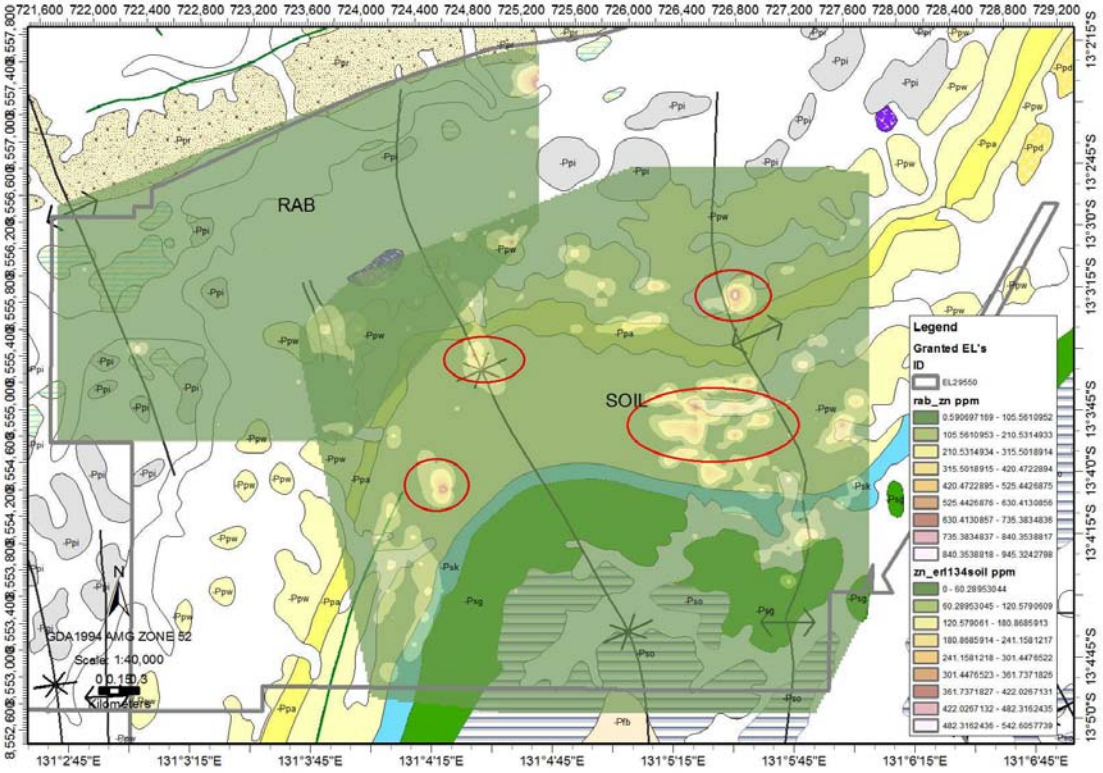

Figure 21 Zn targets over surface geology and structure

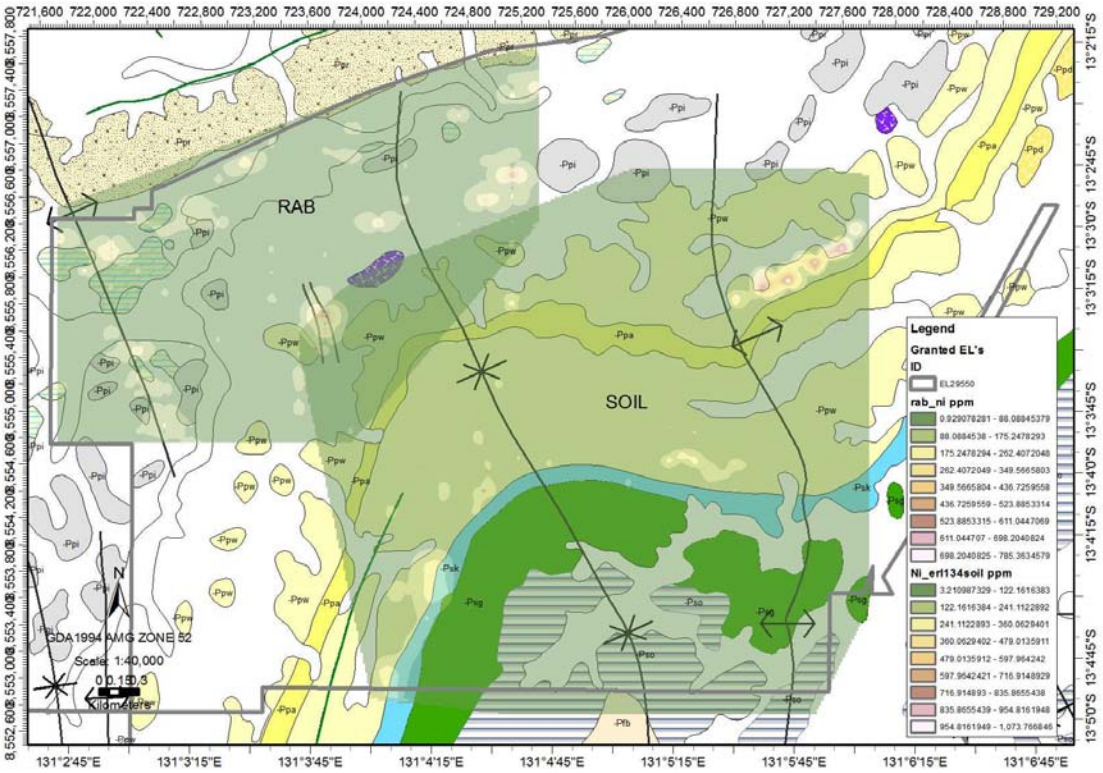

Figure 22 Ni targets over surface geology and structure

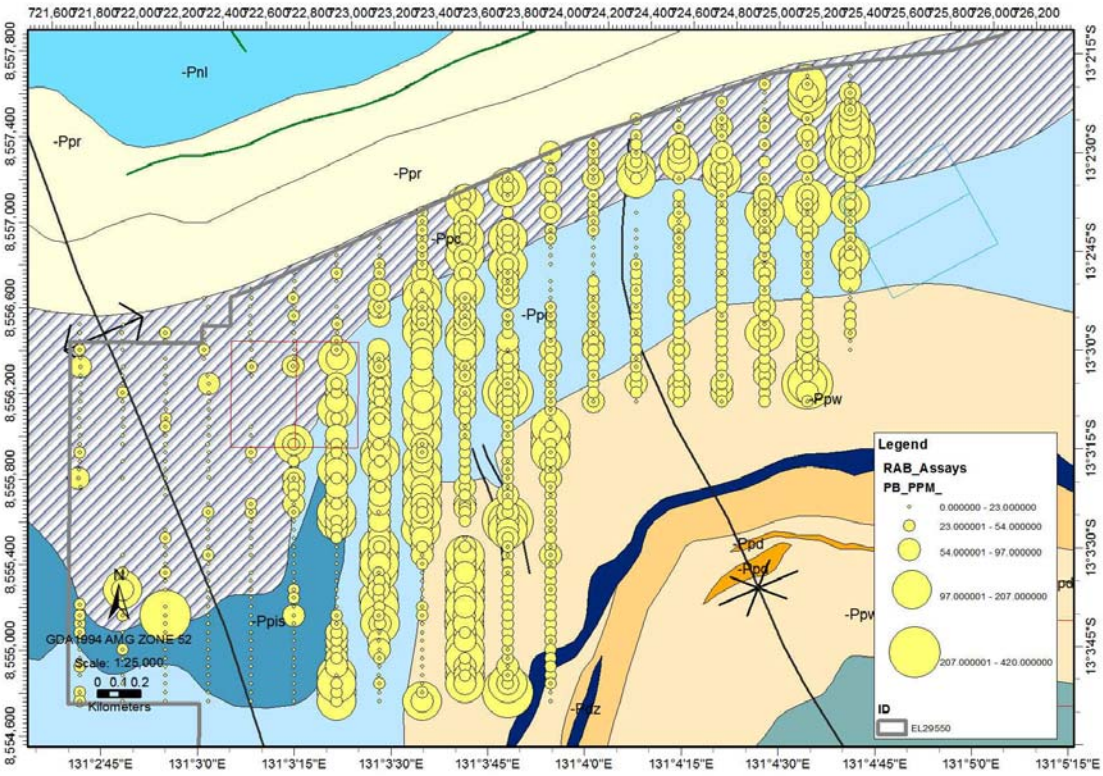

Figure 23 RAB geochem - Pb over interpreted geology

Metallurgical Test Work

Korab commenced metallurgical test work on samples from Winchester to test them for calcining potential. The results are expected in early 2015 and will be reported in year 3 report.

Scoping Study for DSO mining operation at Winchester

Korab commenced scoping study for the development of the Winchester magnesite deposit as direct shipping ore mining operation. Final result are not available yet but preliminary results suggest a long life low cost operation with potential to supply 800,000 tonnes of magnesite ore per annum for at least 15 years. Preliminary costs of establishing a DSO mine would be in the range $5-7 million with direct costs of around $11 per tonne of magnesite mined. Further work on the scoping study will be continued during year 3 and the result will be reported in year 3 report. Following the end of the reporting period, given the positive early results from the scoping study Korab has incorporated wholly owned subsidiary AusMag Pty Ltd which has already lodged an application for a mineral lease covering the area that is hosting the Winchester magnesite deposit.

10. CONCLUSIONS AND RECOMMENDATIONS

Base metals anomalies are more pervasive than originally thought. Project appears to contain several base metals prospects which suggest strong potential for polymetallic deposits (Cu, Zn, and Ni) to exist within the licences area. More work will need to be done on the interpretation of the geochemical data derived from Korab's and historical sampling and drilling. Ground EM and IP surveys would be of help in defining the targets, however difficult terrain means that initially an aerial EM will be used prior to potential ground survey focusing just on the areas where aerial survey and surface/drilling geochem suggest high order targets. Additional sampling and mapping of MDV should be undertaken, especially above the areas where stream drainage geochem shown elevated Ni. Additionally, rock chips and soil samples should be taken on ridges above the areas where drainage geochem shows elevated Pb, Zn and Cu in the central and south west areas.

Review has shown the Au potential to be limited to the northern section of the licence and to the Sundance mineral leases which are wholly contained with the licence. Several Cu anomalies were confirmed proximal to major syncline and to minor faults and in the vicinity of buried conductors associated with faulting. Two of these Cu prospects are associated with Ni anomalies and potential conductors. Four Zn prospects were assessed; three of them are associated with Cu and Ni anomalism. TEMPEST data shows conductive rocks at shallow depth below these anomalies.

Mapping of MDV should continue using as additional guide ASTER multispectral imaging and aerial data.

The aerial EM survey should be extended from the area around Siltstone towards the conductors in the north east and in the south west to capture the areas where the conductors were interpreted from the wide spaced TEMPEST data and conductivity profiles and where several new geochem anomalies are located overprinting major and minor structural features.

Samples showing elevated base metals and Ni should undergo mineralogical and petrographic analysis. Review of all geochem rock chip, drill chip and core drill data should be conducted with additional interpretation of levels of pathfinder elements and interpretation of elemental ratios in conjunction with results from petrographic studies.

11. YEAR 3 PROGRAM

Korab plans to continue additional sampling and mapping of MDV concentrating on areas above where stream drainage geochem shown elevated Ni. Additionally, rock chips and soil samples will be taken on ridges above the areas where drainage geochem shows elevated Pb, Zn and Cu in the central and south west areas.

Mapping of MDV will continue using as additional guide ASTER multispectral imaging.

The aerial EM survey will be run over the areas where the conductors were interpreted from the wide spaced TEMPEST data and conductivity profiles and where coincident geochem anomalies are located.

Drilling of up to 21 RC holes with possible diamond tails will be undertaken subject to approval of amended MMP which was lodged on .

Samples from rock chip sampling and drilling which show elevated base metals and Ni will undergo mineralogical and petrographic analysis.

Review of all geochem rock chip, drill chip and core drill data will continue with additional interpretation of levels of pathfinder elements and interpretation of elemental ratios in conjunction with results from petrographic studies rather than focusing just on Ni and Cu levels.

Korab will continue with scoping study on the magnesite direct shipping ore mining operation and subject to final result from the scoping study, Korab will undertake a feasibility study on direct shipping ore operation from the Winchester magnesite project and will undertake additional metallurgical testing on samples of magnesite to assess their suitability for production of different types of magnesia.

The work on the compilation and digitisation of the geochemical, geophysical and geological data from open and close file reports, government data bases and private vendors will also continue which should assist in better understanding of base metals mineralisation within the project.

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13. ADDITIONAL FIGURES

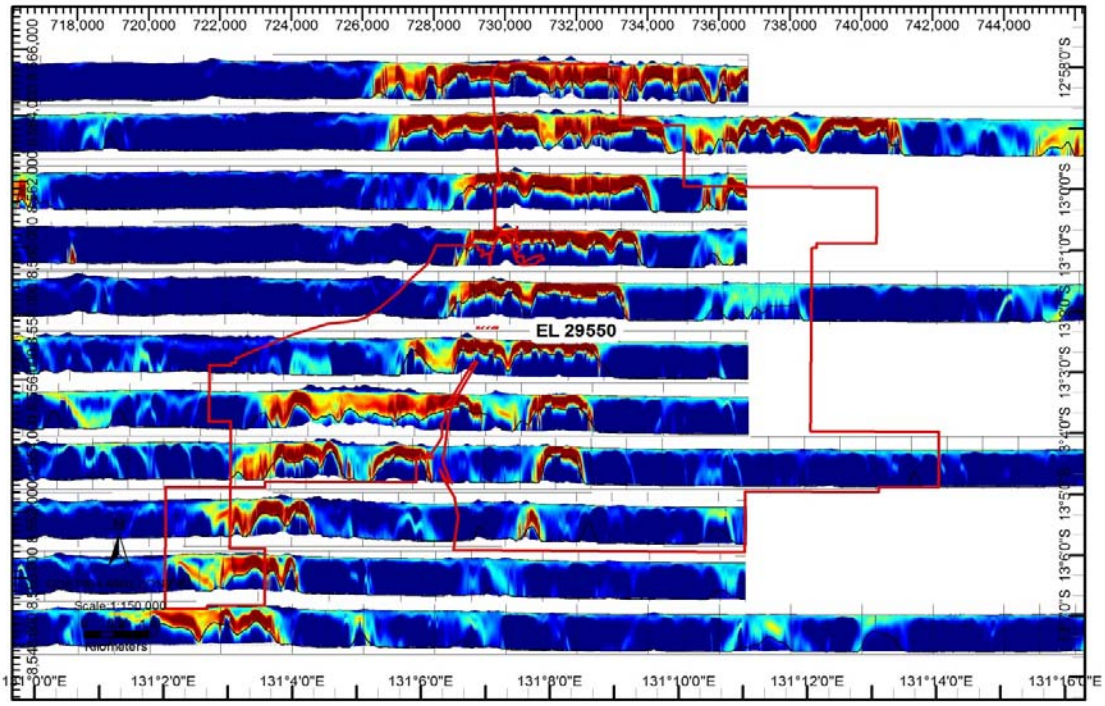

Figure 24 Conductivity slices

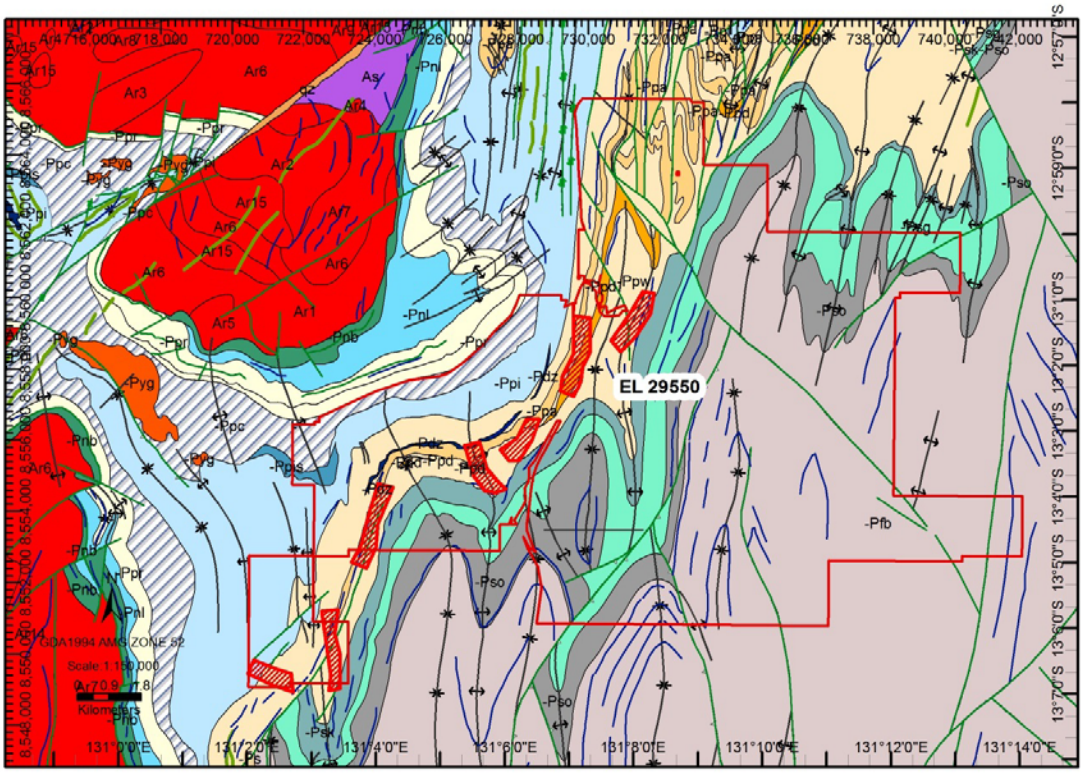

Figure 25 Conductors on geology

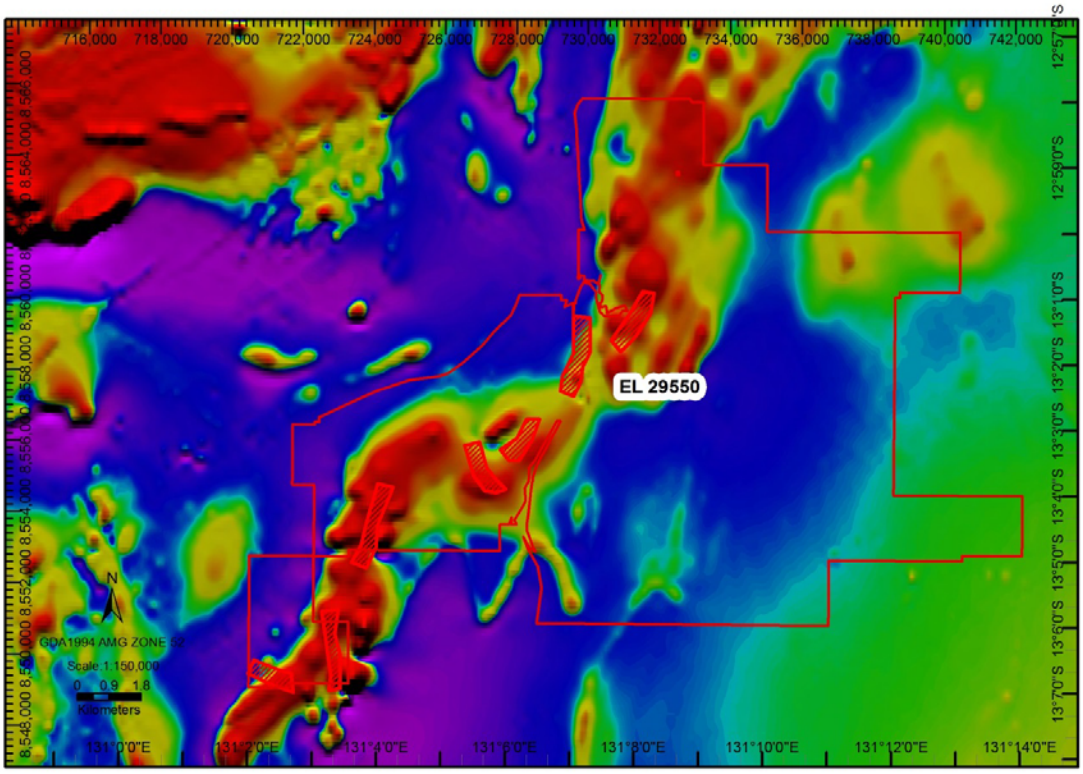

Figure 26 Conductors on TMI

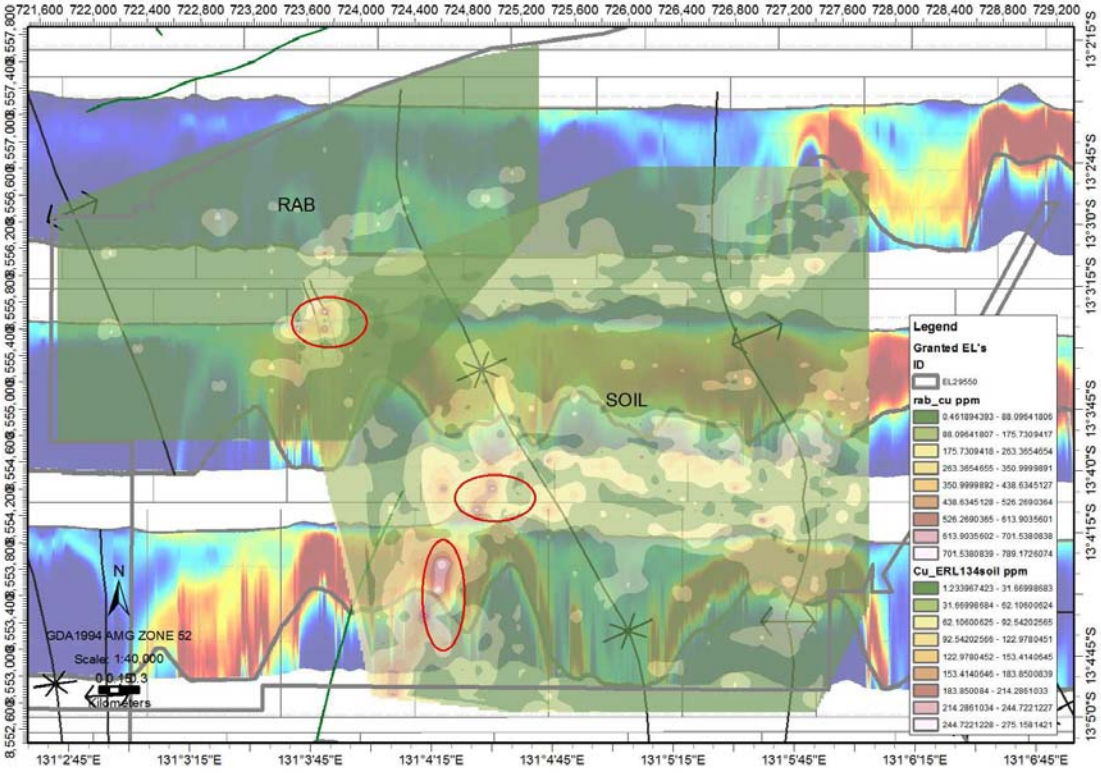

Figure 27 Cu targets on TEMPEST and RAB geochem

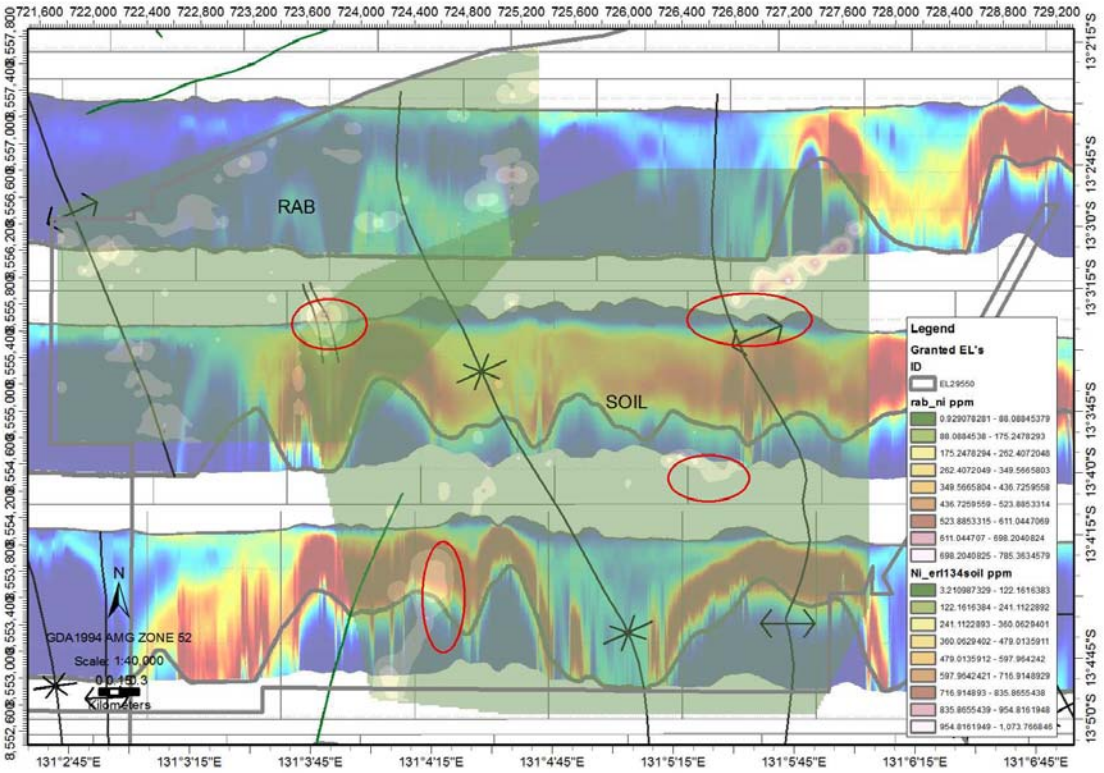

Figure 28 Ni targets on TEMPEST and RAB geochem

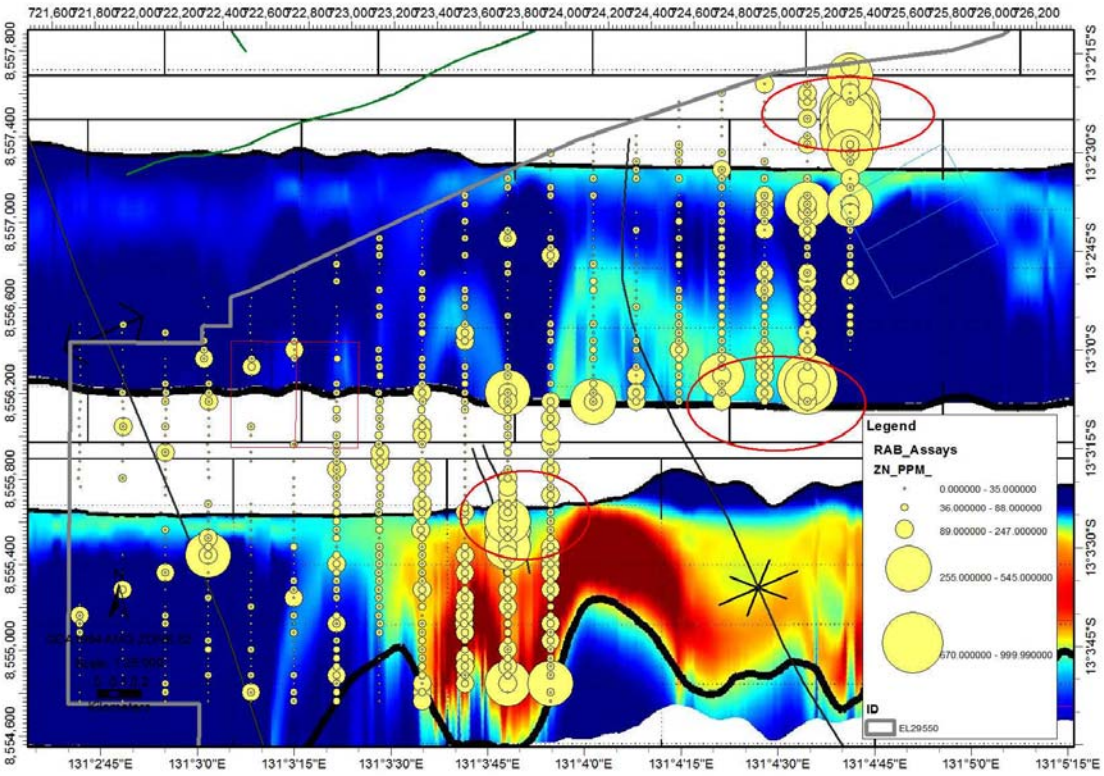

Figure 29 Zn targets on TEMPEST and RAB geochem