

31 July 2014

June 2014 Quarterly Activities Report

BCS Tenement (Iron-Ore)

In the previous quarter, Krakatoa completed the acquisition of 99.8% of the issued shares of PT. Bina Citra Sawita, which holds a 500 ha iron ore exploration license in West Sumatra ("BCS Tenement").

During the June 2014 quarter, the Company completed geological field and office work pertinent to the BCS Tenement as well as surrounding tenements prospective for iron ore.

Donggala Tenement (Gold)

No work was completed on the Donggala tenement during the June 2014, as the Company focussed on the acquisition of the neighbouring gold licenses held by PT. Rio Jaya Persada.

Rio Jaya Tenements (Gold)

During the June 2014 quarter, Krakatoa, via its wholly owned Indonesian subsidiary PT. Bumi Pratama, signed a Memorandum of Understanding ("MOU") for the acquisition of 80% of the Shares in PT. Rio Jaya Persada ("PT. Rio Jaya").

Krakatoa has the exclusive right, for a period of 18 months, to acquire an 80% interest in PT. Rio Jaya Persada through:

- Payment of Rp600,000,000 (~AUD\$55,996) within 15 working days after the MOU is signed (paid);
- Subject to successful due diligence and early stage exploration, payment of Rp2,400,000,000 (~AUD\$223,985)

PT Rio Jaya holds two granted and highly prospective gold exploration licenses, being:

- IUP 188.45/0517/DESDM/2013 covering an area of 9,000 ha and with validity through June 30, 2016; and
- IUP 188.45/0581/DESDM/2013 covering an area of 5,627 ha and with validity through June 30, 2016.

The two exploration licenses are strategically located in close proximity to the Company's existing Donggala Project in Central Sulawesi, held by the Company's 80% owned subsidiary PT. Dana Ramakala (Figure 1). The acquisition of the two exploration licenses increases the Krakatoa foot print in Central Sulawesi by 203% to 21,827 ha, one of Indonesia's most sought after and emerging gold exploration provinces.

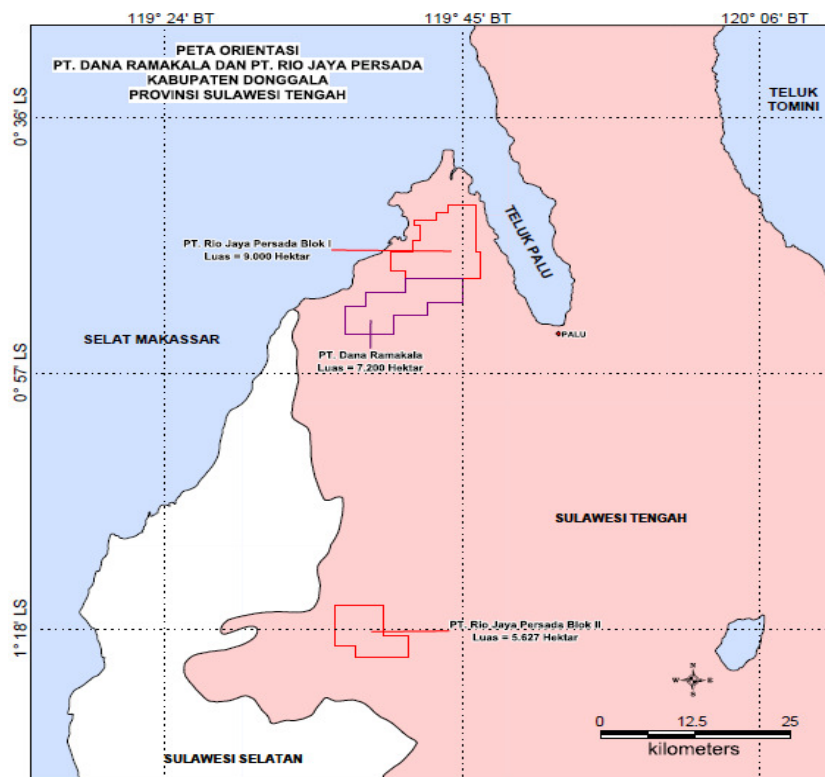


Figure 1: Location of the two PT. Rio Jaya Persada exploration licenses outlined in red. The existing 80% Krakatoa owned PT. Dana Ramakala IUP is outlined in purple.

Pipeline of Iron Ore Tenements Held by Tiga Serangkai Group (iron ore)

As announced in the prior quarter, Krakatoa signed a MoU with Tiga Serangkai Group ("Tiga") for the exclusive rights to assess, explore, acquire, joint venture, or offtake four (4) iron ore tenements in South Sumatra and one (1) iron ore tenement in South Sulawesi.

During the quarter, Krakatoa carried out comprehensive due diligence on the suite of tenements held by the Tiga. Despite the strategic location of all 5 tenements, the board concluded that it was not in shareholders' best interests to continue exploration beyond the due diligence stage.

Project Generation

The Company has continued to evaluate additional tenements of strategic importance to expand the land area held. This work is ongoing as Krakatoa seeks to acquire further value accretive assets.

ASX Listing Rule 5.3.3 - Details of Tenements Held at 30 June 2014

Project	Tenement Licence	Interest held at 31 March 2014	Interest acquired/ disposed	Interest held at 30 June 2014
Donggala	IUP No.188.45/0465/DESDM	80%	-	80%
BCS	IUP No.540/23/IUP/DESDM/BUP-2010	99.8%	-	99.8%

Yours faithfully,

Aryo Bimo
Executive Director