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## **KRAKATOA RESOURCES LIMITED**

**ABN 39 155 231 575**

### **NOTICE OF ANNUAL GENERAL MEETING**

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**TIME:** 10:30am WST

**DATE:** Thursday, 27 November 2014

**PLACE:** "Mining Corporate Boardroom"  
Level 11, 216 St Georges Terrace  
PERTH WA 6000

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (08) 9481 0389.***

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## TIME AND PLACE OF MEETING AND HOW TO VOTE

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### VENUE

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The Annual General Meeting of the Shareholders of Krakatoa Resources Limited which this Notice of Meeting relates to will be held at 10:30am WST on Thursday, 27 November 2014 at "Mining Corporate Boardroom", Level 11, 216 St Georges Terrace, Perth 6000, Western Australia.

### YOUR VOTE IS IMPORTANT

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The business of the Annual General Meeting affects your shareholding and your vote is important.

### VOTING ELIGIBILITY

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The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4:00pm (WST) on Tuesday, 25 November 2014.

### VOTING IN PERSON

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To vote in person, attend the Annual General Meeting on the date and at the place set out above.

### VOTING BY PROXY

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that the changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all 'directed' proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting;
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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## NOTICE OF ANNUAL GENERAL MEETING

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The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 4:00pm WST on Tuesday, 25 November 2014.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

### AGENDA

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#### Reports and Accounts

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2014, together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

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#### RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT (NON-BINDING)

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*"That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the Company to adopt the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2014."*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

#### Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and
  - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

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## **RESOLUTION 2 – RE-ELECTION OF DIRECTOR – BRIAN VARNDELL**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, Mr Brian Varnnell, being a Director, appointed 5 December 2013, retires in accordance with clause 11.11 of the Constitution and, being eligible for re-election, is hereby re-elected as a Director."*

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## **RESOLUTION 3 – RE-ELECTION OF DIRECTOR – ARYO BIMO**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, Mr Aryo Bimo, being a Director, appointed 18 December 2013, retires in accordance with clause 11.11 of the Constitution and, being eligible for re-election, is hereby re-elected as a Director."*

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## **RESOLUTION 4 – RE-ELECTION OF DIRECTOR – MR ROGER POOLEY**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, Mr Roger Pooley, being a Director, retires by rotation in accordance with clause 11.3 of the Constitution and, being eligible, is hereby re-elected as a Director."*

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## **RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF SHARES AND OPTIONS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 1,000,000 Shares and 500,000 Options on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## **RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF OPTIONS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 500,000 Options on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**RESOLUTION 7 – APPROVAL FOR ADDITIONAL PLACEMENT CAPACITY**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*"That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totaling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2; and on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 7 by any person who may participate in the issue of Equity Securities under this Resolution and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, from the passing of Resolution 7 and any associates of those persons.

However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**DATED: 23 OCTOBER 2014****BY ORDER OF THE BOARD**

**DAVID PALUMBO  
COMPANY SECRETARY  
KRAKATOA RESOURCES LIMITED**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the resolutions in the Notice of Meeting.

### FINANCIAL STATEMENTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2014 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at [www.krakatoaresources.com](http://www.krakatoaresources.com).

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### RESOLUTION 1 – REMUNERATION REPORT (NON-BINDING RESOLUTION)

#### General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

Under changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2015 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the general meeting (**Spill Meeting**) within 90 days of the Company's 2015 annual general meeting. All of the Directors who were in office when the Company's 2014 Directors' report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2014.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

#### Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

## Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

***If you appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member as your proxy***

***You must direct your proxy how to vote on this Resolution.*** Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

***If you appoint the Chair as your proxy (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member).***

You **do not** need to direct your proxy how to vote on this Resolution. However, if you do not direct the Chair how to vote, ***you expressly authorise the Chair to exercise his/her discretion in exercising your proxy even though this Resolution is connected directly or indirectly with the remuneration of Key Management Personnel.***

***If you appoint any other person as your proxy***

You **do not** need to direct your proxy how to vote on this Resolution, and you **do not** need to mark any further acknowledgement on the Proxy Form.

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## RESOLUTION 2 – RE-ELECTION OF MR BRIAN VARDELL

In accordance with Clause 11.11 of the Constitution, any Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company.

Accordingly, as Mr Brian Varndell was appointed on 5 December 2013 pursuant to clause 11.10 of the Constitution, he now seeks re-election as a Director in accordance with clause 11.11 of the Constitution.

Details regarding Mr Brian Varndell are set out in the 2014 Annual Report.

The Directors, other than Mr Brian Varndell, recommend the re-election of Mr Brian Varndell.

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## RESOLUTION 3 – RE-ELECTION OF MR ARYO BIMO

In accordance with Clause 11.11 of the Constitution, any Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company.

Accordingly, as Mr Aryo Bimo was appointed on 18 December 2013 pursuant to clause 11.10 of the Constitution, he now seeks re-election as a Director in accordance with clause 11.11 of the Constitution.

Details regarding Mr Aryo Bimo are set out in the 2014 Annual Report.

The Directors, other than Mr Aryo Bimo, recommend the re-election of Mr Aryo Bimo.



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## RESOLUTION 4 – RE-ELECTION OF MR ROGER POOLEY

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 year, whichever is the longer.

Clause 11.3 of the Constitution provides that, at the annual general meeting in every year one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest one-third, and any other Director not in such one-third who has held office for 3 years or more (except the Managing Director), must retire from office.

A retiring Director is eligible for re-election. The Directors to retire at any annual general meeting must be those who have been longest in office since their last election but, as between persons who became Directors on the same day, those to retire must (unless they otherwise agree among themselves) be determined by lot.

Mr Roger Pooley retires and seeks re-election in accordance with clause 11.3 of the Constitution.

Details regarding Mr Roger Pooley are set out in the Company's 2014 Annual Report.

The Directors, other than Mr Roger Pooley, recommend the re-election of Mr Roger Pooley.

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## RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF SHARES AND OPTIONS

### 5.1 Background

On 22 August 2014, the Company issued 1,000,000 Shares at a price of \$0.10 per Share plus 1:2 free-attaching unlisted options exercisable at \$0.20 each on or before 30 June 2015 to raise \$100,000 (**Placement**).

The Company issued 1,000,000 Shares and 500,000 Options without prior Shareholder approval out of its 15% annual placement capacity.

Resolution 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of 1,000,000 Shares and 500,000 Options on the terms set out below (**Ratification**).

### 5.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where, pursuant to ASX Listing Rule 7.4, a company in general meeting ratifies the previous issue of securities made (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purposes of ASX Listing Rule 7.1

By ratifying the issue of the Shares and Options the subject of Resolution 5, the Company will retain the flexibility to issue equity securities in the future of up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 and 10% additional placement capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

### **5.3 Specific information required by Listing Rule 7.5**

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval of the share and option issue, the subject of Resolution 5 in accordance with ASX Listing Rule 7.5:

- (a) the number of securities allotted by the Company was 1,000,000 Shares and 500,000 Options;
- (b) those Shares and Options were issued and allotted on 22 August 2014;
- (c) the Shares were issued at a price of \$0.10 each plus 1:2 free attaching unlisted options exercisable at \$0.20 each on or before 30 June 2015;
- (d) the allottees of the Shares were private investors which are not related parties of the Company;
- (e) the allottees of the Options were private investors which are not related parties of the Company;
- (f) the Shares issued are fully paid ordinary shares and rank equally with the existing Shares on issue;
- (g) the Options issued are an unlisted class of securities and the terms and conditions of the attaching Options are set out in Annexure 'A'; and
- (h) funds raised from this issue were used to further the Company's exploration projects and for general working capital purposes.

### **5.4 Directors' Recommendation**

None of the Directors has a material personal interest in the subject matter of Resolution 5. The Board believes that the ratification of the Share and Option issue the subject of Resolution 5 is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 5 as it provides the Company with the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months without shareholder approval.

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## **RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF OPTIONS**

### **6.1 Background**

The Company issued 500,000 unlisted options exercisable at \$0.20 each on or before 30 June 2015 as consideration for brokerage services associated with the Placement.

The Company issued 500,000 Options without prior Shareholder approval out of its 15% annual placement capacity.

Resolution 6 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of 500,000 Options on the terms set out below **(Ratification)**.

## **6.2 ASX Listing Rule 7.4**

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where, pursuant to ASX Listing Rule 7.4, a company in general meeting ratifies the previous issue of securities made (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purposes of ASX Listing Rule 7.1

By ratifying the issue of the Options the subject of Resolution 6, the Company will retain the flexibility to issue equity securities in the future of up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 and 10% additional placement capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

## **6.3 Specific information required by Listing Rule 7.5**

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval of the option issue, the subject of Resolution 6 in accordance with ASX Listing Rule 7.5:

- (a) the number of securities allotted by the Company was 500,000 Options;
- (b) those Options were issued and allotted on 22 August 2014;
- (c) 500,000 unlisted options exercisable at \$0.20 each on or before 30 June 2015 were issued for nil cash consideration as they were issued in satisfaction of brokerage services associated with the Placement;
- (d) the allottees of the Options were brokers which are not related parties of the Company;
- (e) the Options issued are an unlisted class of securities and the terms and conditions of the attaching Options are set out in Annexure 'A'; and
- (f) no funds were raised from the issue as they were issued in satisfaction of brokerage services associated with the Placement.

## **6.4 Directors' Recommendation**

None of the Directors has a material personal interest in the subject matter of Resolution 6. The Board believes that the ratification of the Option issue the subject of Resolution 6 is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 6 as it provides the Company with the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months without shareholder approval.

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## RESOLUTION 7 – APPROVAL FOR ADDITIONAL PLACEMENT CAPACITY

### 7.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval to allow it to issue Equity Securities up to 10% of its issued capital over a period up to 12 months after the entity's annual general meeting (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 7, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in Section 7.2 (below)).

The effect of Resolution 7 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 7 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 7 for it to be passed.

### 7.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (i) is not included in the S&P/ASX 300 Index; and
- (ii) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$3,780,000.

The Equity Securities must be in the same class as an existing class of quoted Equity Securities. The Company currently has two classes of quoted Equity Securities on issue, being the Shares (ASX Code: KTA) and Options (ASX Code: KTAO).

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$(A \times B) - C$
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Where:

**A** = the number of Shares on issue 12 months before the date of issue or agreement;

- (A) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the previous 12 months;
- (C) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and
- (D) less the number of Shares cancelled in the previous 12 months.

**B** = 10%.

**C** = the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of ordinary securities under ASX Listing Rule 7.1 or 7.4.

### **7.3 Technical information required by ASX Listing Rule 7.1A**

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 7:

#### **(a) Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (A) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (B) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph 1.1(a)(A), the date on which the Equity Securities are issued.

#### **(b) Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Annual General Meeting and expiring on the first to occur of the following:

- (A) 12 months after the date of the Annual General Meeting; and
- (B) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

**(10% Placement Capacity Period).**

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 7 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Variable A in ASX Listing Rule 7.1A2)	Dilution			
	Issue Price (per Share)	\$0.05 (50% decrease in current issue price)	\$0.10 (Current issue price)	\$0.15 (50% increase in current issue price)
36,000,003 (Current)	Shares issued - 10% voting dilution	3,600,000 Shares	3,600,000 Shares	3,600,000 Shares
	Funds raised	\$180,000	\$360,000	\$540,000
54,000,004 (50% increase)*	Shares issued - 10% voting dilution	5,400,000 Shares	5,400,000 Shares	5,400,000 Shares
	Funds raised	\$270,000	\$540,000	\$810,000
72,000,006 (100% increase)*	Shares issued - 10% voting dilution	7,200,000 Shares	7,200,000 Shares	7,200,000 Shares
	Funds raised	\$360,000	\$720,000	\$1,080,000

\*The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

**The table above uses the following assumptions:**

1. There are currently 36,000,003 Shares on issue as at 15 October 2014.
2. The issue price set out above is the closing price of the Shares on the ASX on 15 October 2014.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Annual General Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.

5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (A) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Annual General Meeting; and
- (B) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (A) as cash consideration, in which case the Company intends to use funds raised for exploration of its projects and potentially the funding for any suitable acquisition opportunities identified by the Board; or
- (B) as non-cash consideration for the acquisition of new resources assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) **Allocation under the 10% Placement Capacity**

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (A) the purpose of the issue;
- (B) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (C) the effect of the issue of the Equity Securities on the control of the Company;
- (D) the Company's circumstances, including, but not limited to, its financial position and solvency;
- (E) prevailing market conditions; and
- (F) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) **Previous Approval under ASX Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 22 November 2013 (**Previous Approval**).

The Company has issued nil Shares pursuant to the Previous Approval.

In accordance with Listing Rule 7.3A.6, since 22 November 2013, the Company has issued 7,000,000 Shares and 1,000,000 Options, which represents 15.5% of the total number of Equity Securities on issue on 15 October 2014. The Equity Securities issued during this time were as follows:

Issue date	Equity Securities	Persons issued to or basis of issue	Issue price and discount to Market Price <sup>1</sup>	Amount raised and use of funds or value of non-cash consideration
12 March 2014	5,000,000 fully paid ordinary shares	Asia Mineral Trade Pte Ltd	Nil cash consideration	Valued at \$1,100,000 for the acquisition of exploration assets.
13 March 2014	1,000,000 fully paid ordinary shares	Aryo Bimo	Nil cash consideration	Valued at \$220,000 as an incentive for future performance.
22 August 2014	1,000,000 fully paid ordinary shares	Private investors	\$0.10 – Premium of 2%	\$100,000 <sup>2</sup> for working capital purposes.
22 August 2014	500,000 options exercisable at \$0.20 on or before 30 June 2015	Private Investors	Nil cash consideration	\$nil – free attaching options to private investors.
22 August 2014	500,000 options exercisable at \$0.20 on or before 30 June 2015	Brokers	Nil cash consideration	Valued at \$7,500 for brokerage associated with Placement.



1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. The amount raised has been spent on [exploration activities and operating expenses of the Company].

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:

- (a) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (b) the information required by Listing Rule 3.10.5A for release to the market.

**Voting Exclusion**

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 7.

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## **ANNEXURE “A” - TERMS AND CONDITIONS OF OPTIONS**

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The New Options are granted on the following terms and conditions:

- (a) Each New Option entitles the holder to acquire one fully paid Ordinary Share in the Company.
- (b) The New Options may be exercised at any time on or before 5.00pm (WST) on 30 June 2015. Each New Option may be exercised by forwarding to the Company at its principal office the exercise notice, duly completed, together with payment of the sum of 20 cents (\$0.20) per New Option exercised. The New Options will lapse at 5.00pm (WST) on 30 June 2015.
- (c) The New Options may be transferred by an instrument (duly stamped where necessary) in the form commonly used for transfer of New Options at any time until 5.00pm (WST) on 30 June 2015, being the date the New Options expire. This right is subject to any restrictions on the transfer of a New Option that may be imposed by ASX.
- (d) New Optionholders can only participate in new issues of securities provided they have first exercised their New Options in which case the New Optionholders shall be afforded the period of at least nine (9) business days prior to and inclusive of the record date (to determine entitlements to the issue) to exercise the New Options.
- (e) Ordinary Shares issued on the exercise of New Options will be issued not more than fourteen (14) days after receipt of a properly executed exercise notice and application moneys. Ordinary Shares allotted pursuant to the exercise of a New Option will rank equally with the then issued ordinary shares of the Company in all respects. If the Company is listed on ASX it will, pursuant to the exercise of an Option, apply to ASX for Quotation of the Ordinary Shares issued as a result of the exercise, in accordance with the Corporations Act and the Listing Rules.
- (f) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital at the time of the reconstruction.
- (g) If there is a bonus issue to shareholders, the number of Ordinary Shares over which the New Option is exercisable may be increased by the number of Ordinary Shares which the holder of the New Option would have received if the New Option had been exercised before the record date for the bonus issue.
- (h) In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced in accordance with Listing Rule 6.22.

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## GLOSSARY

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In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

**\$** means Australian dollars.

**10% Placement Capacity** has the meaning given in section 7 of this Notice.

**2014 Annual Report** means the Company's annual report for the year ended 30 June 2014, which can be downloaded from the Company's website at [www.krakatoaresources.com](http://www.krakatoaresources.com).

**ASIC** means Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 724 791).

**ASX Listing Rules** or **Listing Rules** means the official Listing Rules of ASX.

**Board** means the Board of Directors of the Company.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth).

**Company** or means Krakatoa Resources Limited (ABN 39 155 231 575).

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** mean the current directors of the Company.

**Eligible Entity** means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

**Equity Securities** has the meaning given by the ASX Listing Rules and includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as such.

**Explanatory Statement** means the explanatory statement to this Notice.

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

**Meeting** means the meeting convened by the Notice.

**Notice** means the notice of meeting accompanying this Explanatory Statement.

**Remuneration Report** means that section of the Directors' Report under the heading "Remuneration Report" set out in the 2014 Annual Report.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**WST** means Western Standard Time.

**Variable A** means "A" as set out in the calculation in section 7.2 of this Notice.

## PROXY FORM

**APPOINTMENT OF PROXY  
KRAKATOA RESOURCES LIMITED  
ABN 39 155 231 575**

### ANNUAL GENERAL MEETING

I/We

of

being a member of Krakatoa Resources Limited entitled to attend and vote at the Annual General Meeting, hereby appoint

Name  
of Proxy:

**OR**

☐

the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Annual General Meeting to be held at the "Mining Corporate Boardroom", Level 11, 216 St Georges Terrace, Perth, Western Australia at 10.30am WST on Thursday, 27 November 2014, and at any adjournment thereof.

### AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

### CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

### Voting on Business of the Annual General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Brian Varndell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Mr Aryo Bimo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Re-election of Mr Roger Pooley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratification of prior issue of Shares and Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Ratification of prior issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval for Additional Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_%

**Signature of Member(s):** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Individual or Member 1**

**Sole Director/Company Secretary**

**Member 2**

**Director**

**Member 3**

**Director/Company Secretary**

**Contact Name:** \_\_\_\_\_ **Contact Ph (daytime):** \_\_\_\_\_

**E-mail Address:** \_\_\_\_\_ **Consent for contact by e-mail YES** ☐ **NO** ☐

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## Instructions for Completing 'Appointment of Proxy' Form

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1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
  - **(Individual):** Where the holding is in one name, the Shareholder must sign.
  - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
  - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
  - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (a) post to Krakatoa Resources Limited, GPO Box 2517, Perth, Western Australia 6831; or
  - (b) facsimile to the Company on facsimile number +61 8 9463 6103; orso that it is received not less than 48 hours prior to commencement of the Meeting.

**Proxy Forms received later than this time will be invalid.**