

29 January 2021

December 2020 Quarterly Activities Report

Highlights

Rand Gold Project

- The Rand Project was granted following direct application.
- The Aeromagnetic survey data outlines a strong structural corridor featuring known gold mineralisation at Bulgandry and has generated several higher priority target zones in the immediate prospect area and in the surrounding region.
- Expedited exploration on several priority targets revealed in the detailed aeromagnetic survey, including:
 - two 600 metres (diameter) magnetic “eye” features NNW of Bulgandry; and a third similarly sized magnetic feature adjacent;
 - an 8km length of ENE-trending magnetic lineaments associated with the prospective gold locations at Bulgandry
 - the possible alignment of paleochannels (“deep leads”) with mineralisation controlling basement structures;

Turon Gold Project

- Shallow nuggetty gold system identified at Quartz Ridge.
- Drill results received for six diamond holes which intersected multiple zones of significant quartz veining with associated mineralisation within all holes, including arsenopyrite, pyrite, with chalcopyrite and gold locally developed; along the Quartz Ridge Prospect Line.

Mt Clere REES, HMS & Ni-Cu-PGEs Project

- Mt Clere Exploration License granted and significant expansion of the Rare Earth tenure undertaken via additional exploration license applications; which broadens commodity scope at Mt Clere project.
- Prospective for Rare Earth Elements, Heavy Mineral Sands, Intrusion hosted Ni-Cu-PGEs.
- Heritage agreements on earlier applications expected first quarter 2021.

Company

- Strong cash position with \$3.63 million held at end of the quarter.
- The Company is well funded to advance exploration programs across its projects following placements to professional and sophisticated investors of \$2.4m in July and \$2.1m in October 2020.
- Appointment of highly experienced executive and geologist Mark Major as CEO.



ASX Code
KTA, KTAOC

Capital Structure

278,950,000 Fully Paid Shares
82,800,000 Options @ 5c exp 31/07/21
5,000,000 Options @ 7.5c exp 31/07/21
16,200,000 Options @ 7.5c exp 29/11/23
15,000,000 Share Appreciation Rights

Directors

Colin Locke
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Krakatoa Resources Limited (**ASX: KTA**) ("Krakatoa" or the "Company") is pleased to provide the following summary of activities conducted over the December 2020 quarter, which firmly focused on systematic exploration at the Company's 100% owned Rand and Turon Projects in the Lachlan Fold Belt, NSW.

Rand Gold Project

Overview

In October 2020, the Company was granted EL9000, after submitting four applications back in June 2020. The Project covers a combined area of 580km², which is located approximately 60km NNW of Albury in southern NSW and contains a 40km structural corridor with the prospective geology largely masked by colluvium. Gold mineralisation is associated with emplacement of the I-type Jindera granite, which is mostly captured by project area (Figure 1).

The tenement captures the historical Bulgandra Goldfield which demonstrates the prospectivity for shear-hosted and intrusion-related gold. Production records from several of the mines within this goldfield such as the Show Day and Welcome Find reefs show substantial gold grades, including 512oz from 60 tons and 70oz from 74 tons, being extracted from the exposed quartz veins.

The known workings occur on small windows of deeply weathered and extensively leached bedrock which pierce the blanketing sediments. Past exploration has concentrated on the areas of outcrop and was limited to the Show Day and Welcome Find Reefs. The Lone Hand and Goodwood Reefs have not been explored since their original closure pre-1902.

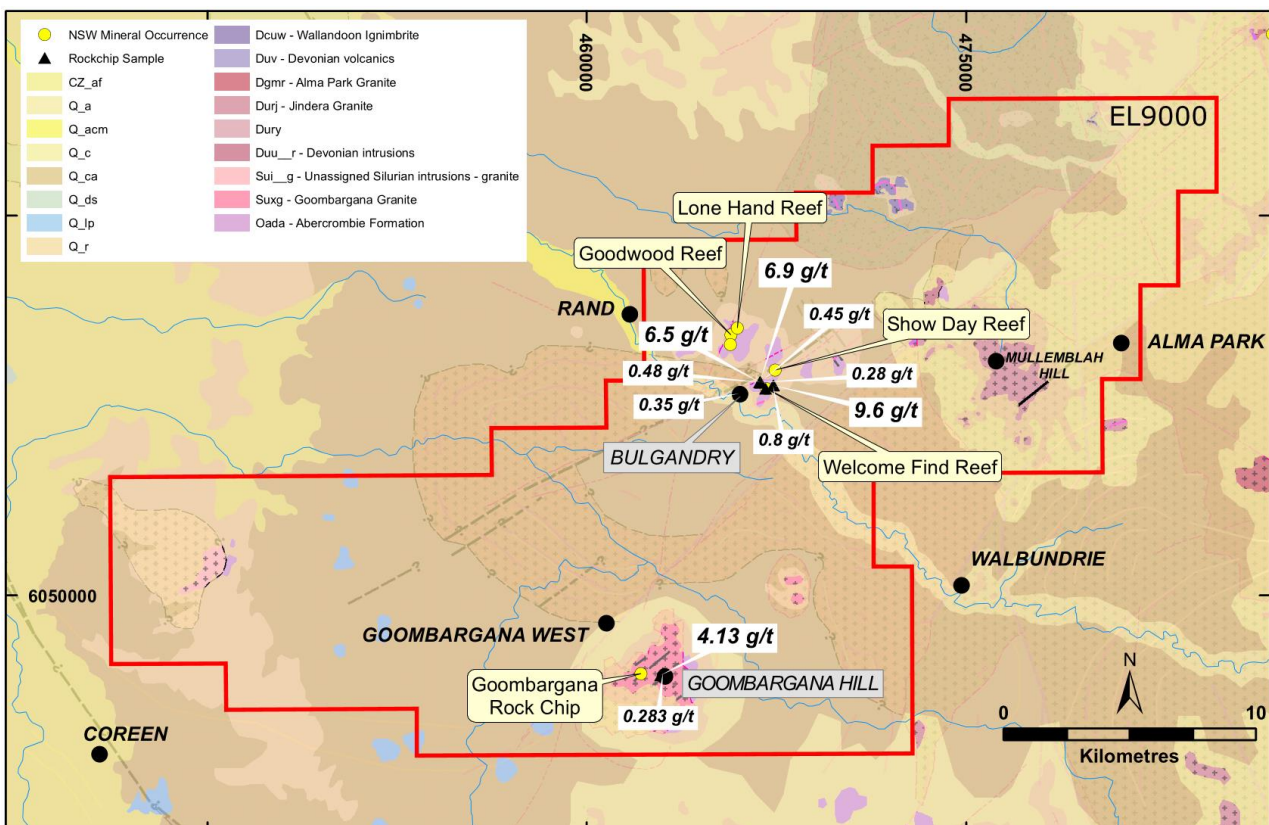


Figure 1 – Project geology, historical workings and chip sampling, Rand Project.

During the quarter, the company had Thomson Aviation undertake collection of high-resolution aeromagnetic data over the entire tenement to commence the green fields exploration effort at Rand. This data was subsequently processed and interpreted resulting identifying significant areas of interest (Figure 2). Ongoing review of the data will be undertaken as required.

Prior to the aeromagnetic survey being undertaken, a member of the Krakatoa geology team examined and photographed core from two vertical diamond drill holes, H17 and H19, which had been stored by Geological Survey of New South Wales (GSNSW). Density and magnetic susceptibility measurements were taken. Quarter core samples were collected for gold and multielement analysis. The results of this work bolstered the prospectivity of the magnetic bullseyes (Figure 3) as the results returned positive assays and identified strongly chloritised quartz – hornblende diorite alteration with minor quartz veinlets and disseminated pyrite within dioritic or granodioritic host rocks which are considered favourable for intrusion-related gold (IRG) systems.

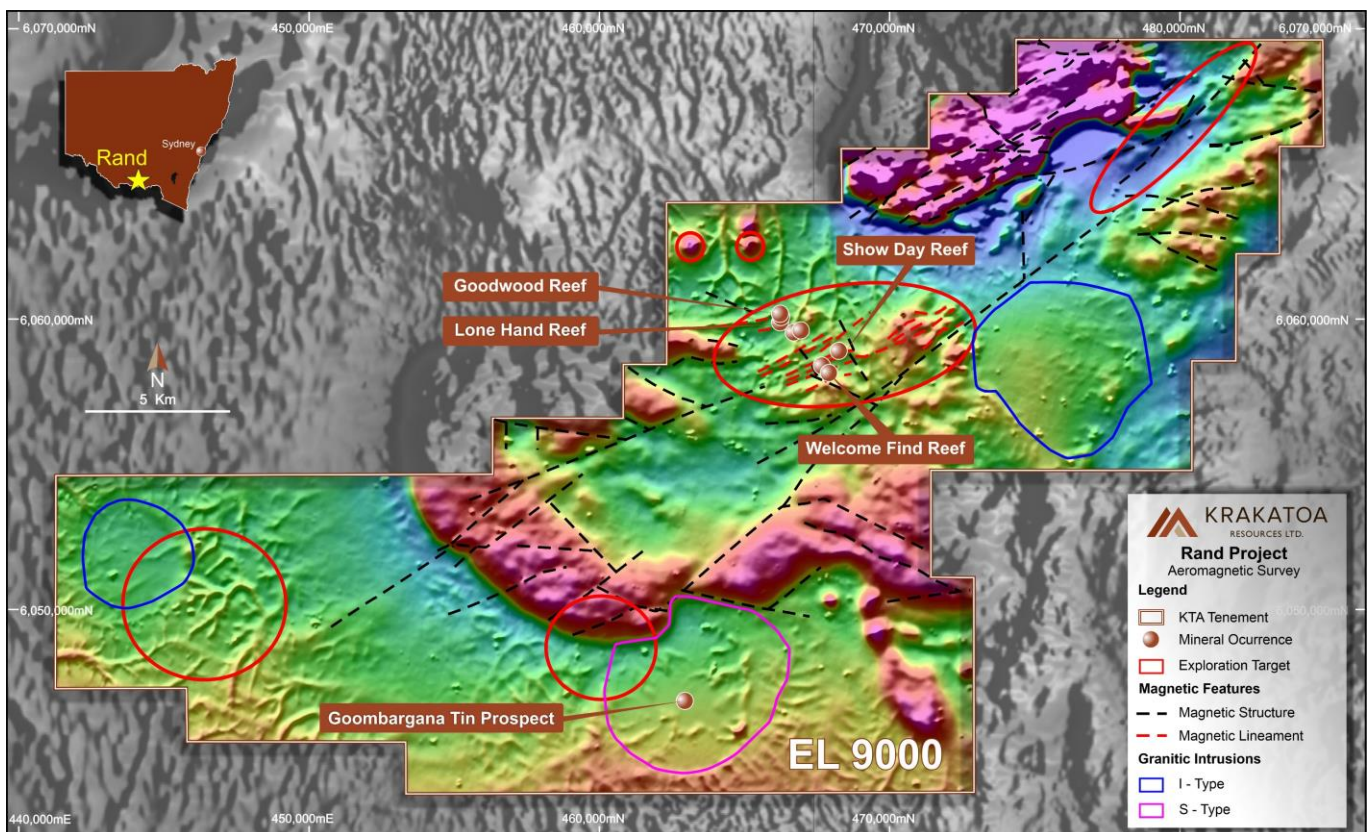


Figure 2 – Aeromagnetic image (TMI-RTP) of the survey area with simple interpretation identifying key geological and geophysical features, including preliminary targets.



Figure 3 – Detailed section around the Bulgandry Goldfield. Note the NE-trending magnetic lineaments, not seen before, associated with the prospecting gold locations; the well-preserved palaeochannels; and, the recognition of different intrusive bodies based on the geophysical response.

The high resolution aeromagnetic survey likewise revealed that these shallow diamond holes were inadvertently drilled off-target by the previous explorers. This coupled with the associated assay results enforced the prospectively of this area as a priority target (Figure 3).

Several other priority exploration targets were identified from the magnetic survey and collation and review of the historical exploration data. A series of significant magnetic lineaments, totalling around 8 kilometres and trending East-Northeast were identified over corresponding historical gold workings at Bulgandry goldfield, with over 90% under some cover. Another feature resulting from the recent Krakatoa exploration work is the possible alignment of palaeochannels (“deep leads”) with mineralisation controlling basement structures were also uncovered (Figure 2).

Late in the quarter the company embarked on landholder liaison and access agreements over the critical areas of interest where systematic geological exploration efforts will be made in the coming quarter. The Company has now commenced high resolution induced polarisation (IP) survey at the bullseye priority targets and will look to undertake extensive mapping, rock and soil geochemical surveys over much of the Bulgandra Goldfield area with the intention to define reconnaissance drill targets.

Turon Gold Project

Overview

The Turon Project covers an area of 120km². It is situated approximately 50km east of the Company's Belgravia Project and 60km northeast of Newcrest Mining's Cadia Valley Operations, in the Hill End Synclinal Zone, NSW. The geology at Turon bears many similarities in terms of host-rocks, structural- and mineralisation-style to other high-grade turbidite-hosted gold deposits, including Fosterville in the Bendigo-Ballarat zone, central Victoria.

Diamond Drill Program – Quartz Ridge Line of Workings

During the Quarter, the Company completed six diamond drillholes totalling 1,295m of diamond core along the 1.6km long historical line of Quartz Ridge workings. Of the six holes developed, three were at Quartz Ridge, one at Sixty Seven Mine and two at Dead Horse Reef (Figure 4).

Drilling intersected multiple zones of significant quartz veining with associated mineralisation within all holes, including arsenopyrite, pyrite, with chalcopyrite and gold locally developed. Broad arsenic haloes, up to 36m wide, envelop the mineralisation and quartz veining supporting the presence of deep mantle tapping structures.

Best results include 2m @ 2.42g/t Au from 101.8m (QRD002), 1m @ 2.68g/t Au from 29.7m (QRD002) and 1m @ 3.1g/t Au from 76m (QRD003). Vein widths intersected were to 20 m, but commonly around 3m. Veins vary between massive to strongly laminated typically associated with the reactivating shear zones and commonly characteristic of nuggety gold systems.

All holes intersected at least three significant zones or bands of commonly laminated vein quartz featuring coarse, euhedral arsenopyrite and pyrite encapsulated within an alteration halo defined by elevated arsenic. Gold mineralisation occurs in narrow, moderately west-dipping discordant quartz veins mostly confined to the alteration bands.

The Company see similarities between the mineralisation style and geological setting at Turon with the sediment-hosted gold at Ballarat and Fosterville. At both, considerable quantities of coarse and very coarse gold, hosted by quartz veins, display high inherent variability, with grades ranging from 50 g/t Au or higher to a few g/t Au over minimal distances. Such deposits have historically proven challenging to drill, because of the small sample size (i.e. diamond core size) and the erratic gold distribution. The restricted access at Turon due to the ruggedness of the terrain and reconnaissance nature of the drilling further complicates matters.

The Company will survey, sample and map accessible underground workings; continue to map the area and review additional known historical mined systems such as the "Just in Time Reef" which lies 200m east of the Quartz Ridge line and remains untested by drilling.

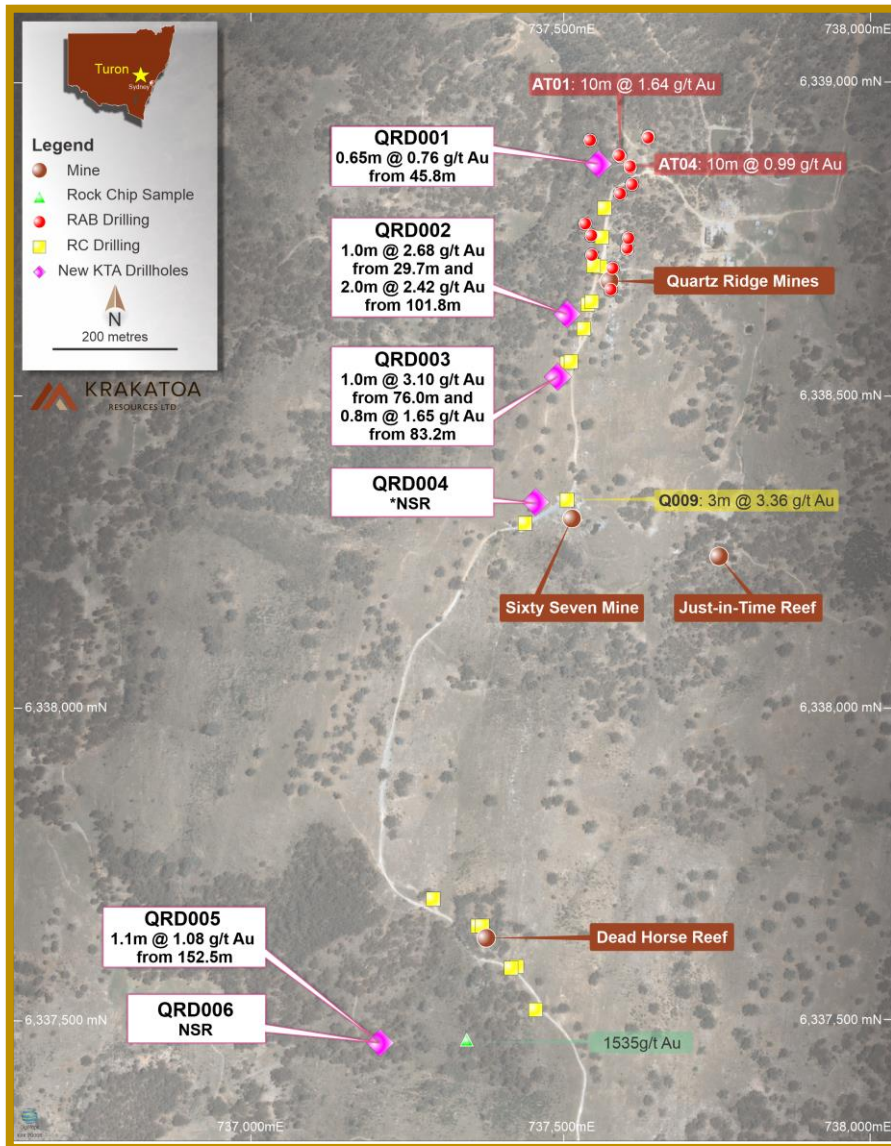


Figure 4: Diamond drill hole location and results at Quartz Ridge

Belgravia Cu-Au Porphyry Project

Overview

The Belgravia Project (EL8153) covers an area of 80km² and is located in the central part of the Molong Volcanic Belt (MVB), Lachlan Fold Belt, NSW. It contains the same rocks (Fairbridge Volcanics and Oakdale Formation), or their lateral equivalents, that respectively host the giant Cadia-Ridgeway mine 35km south and Alkane Resources' Boda discovery 65km north. Historical exploration at Belgravia has failed to adequately consider the regolith and tertiary basalt (up to 40m thick) that obscures much of the prospective geology. The Project contains six targets with considerable exploration potential for porphyry Cu-Au and associated skarn mineralisation.

The Company's work to date at the Belgravia Project has focussed on the Bell Valley and Sugarloaf prospect areas. Detailed aeromagnetic survey interpretation on these target areas has highlighted significant gold-copper porphyry potential, including:

- Bell Valley: Contains a considerable portion of the Copper Hill Intrusive Complex, the interpreted porphyry complex which hosts the Copper Hill deposit
- Bell Valley: The Copper Hill deposit and several prospects in the adjoining tenement sit within a regional magnetic low support the prospectivity of similar features spanning 6km within the Bell Valley Target Area
- Sugarloaf: 1km x 1km magnetic low feature with the characteristics of porphyry-style mineralisation.

Renewal of exploration licence 8153 was received during the quarter. This renewal will allow for the recommencement of the Company's planned on-ground exploration activities.

The Company considers the economic potential for porphyry-style copper-gold mineralisation in the Bell Valley area may lie at depths exceeding 200m. The viability of undertaking an induced polarisation (IP) survey to locate zones of sulphide mineralisation as detected by DGPR in 2020 may be considered over prospects such as the at Bell Valley area and Sugarloaf areas. The IP will focus future drilling at these prospects. Additional exploration such as mapping is currently being undertaken in areas where land access is granted.

Mt Clere REES, HMS & Ni-Cu-PGEs Project

Overview

The Mt Clere project is located approximately 200km northwest of Meekatharra, within the Narryer terrane, Gascoyne Region Western Australia.

The Narryer Terrane is thought to represent reworked remnants of greenstone sequences that are prospective for intrusion-hosted Ni-Cu-(Co)-(PGE's). Chalice Gold Mines (ASX: CHN) recent Ni-Cu-PGE Julimar discovery, located near Perth in the similarly aged Southwest terrane, has renewed exploration interest in the Narryer terrane. Like the former, the Narryer terrane, which forms the northwest margin of the Yilgarn Craton, consists of relatively high-grade granitic gneisses interlayered with metasedimentary rocks that are intruded by granite and pegmatite. Thus, the Narryer terrane is prospective for similar mineralisation-styles including Ni-Cu-PGE (e.g. Julimar) and orogenic gold (e.g. Boddington).

The Project also contains significant opportunities related to rare earth elements, in particular via the previously identified widespread monazite sands concentrated within the drainage networks of the northern applications. Historical work by BHP and Astro Mining NL confirmed the abundance of monazite in pan concentrates, with grades exceeding 50% in a large number of samples resulting in an anomaly exceeding an area of 100km². Other valuable heavy minerals such as zircon (to 60%), and ilmenite (to 29%) with lesser rutile, leucoxene and xenotime, were recovered in samples from the same area, favorable for large placer resources of easily recoverable material.

During the Quarter, the Company received granted tenure over the first of several exploration licence applications. The newly awarded exploration licence E09/2357 covers an area of 303 km² (Figure 5).

The Company has been negotiating heritage agreements with respective native title parties since lodging the initial applications in 2019. Agreement negotiations appear close to finalisation.

The Company anticipates commencement of field activities once the 2019 exploration licence applications are awarded, statutory programs of works are approved by the regulators and the climate is more conducive to remote geochemical exploration programs.

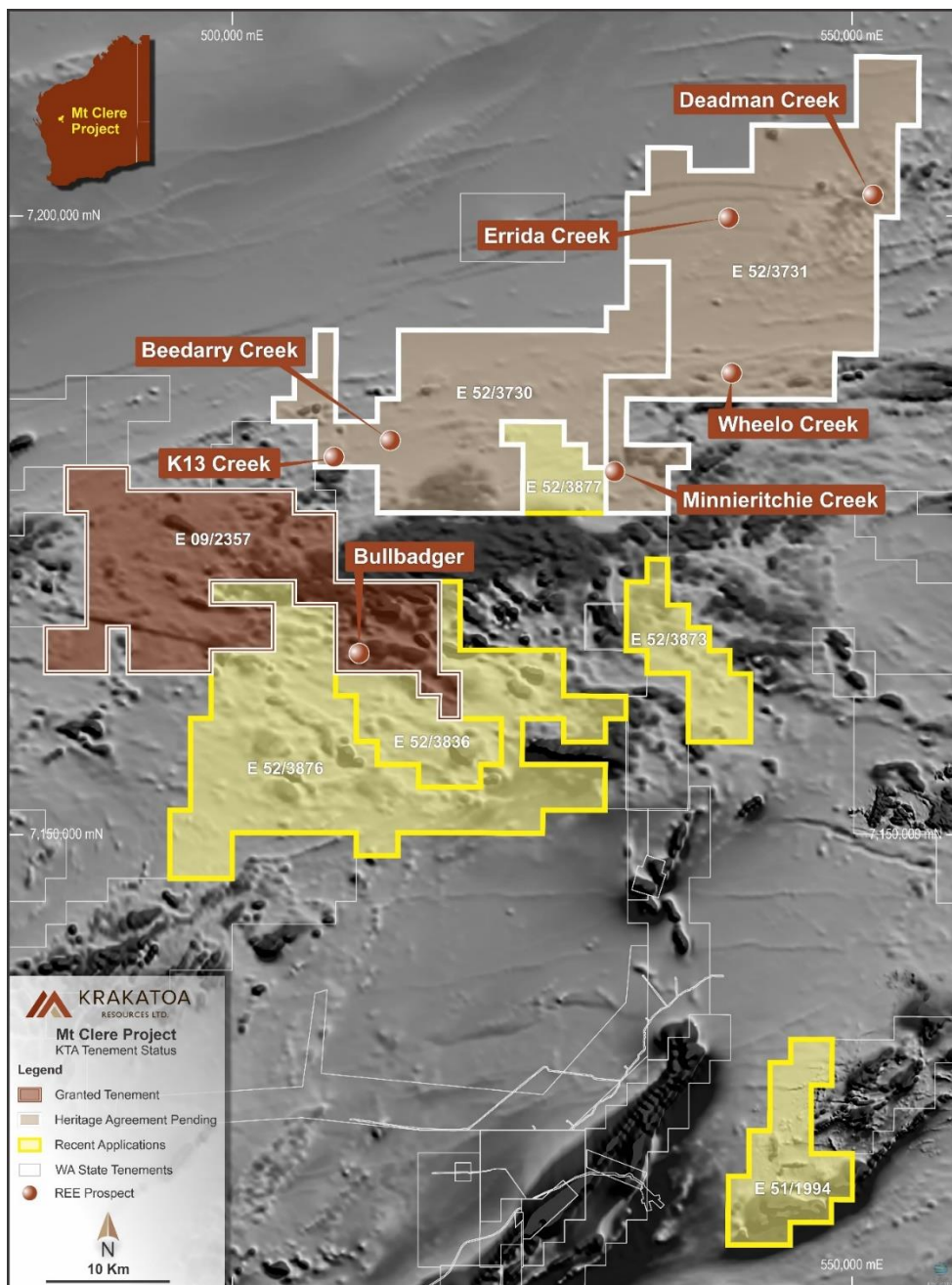


Figure 5 – Krakatoa exploration licence and applications within the Narryer Terrane, Mt Clere Project Gascoyne Region, Western Australia.

Dalgaranga Tech & Battery Elements Project

The Dalgaranga Project is located 80km northwest of Mount Magnet in Western Australia and lies within the Dalgaranga Greenstone Belt. The Dalgaranga Greenstone Belt is about 50km long and up to 20km wide and contains gold mineralisation (Dalgaranga gold mine), a zinc deposit (Lasoda), graphite deposits, and occurrences of tantalum, beryllium, tin, tungsten, lithium and molybdenum related to pegmatites.

Desk top data review was conducted on the Dalgaranga Project during the December 2020 quarter.

Mac Well Gold Project

The Mac Well Project has a land area of 66.9km² and is located 10km west of the Company's Dalgaranga Project. The Project contains a 7.5km strike along the prospective Warda Warra greenstone belt, mostly untested due to a thick transported cover. The Company considers favourable structural conditions for gold mineralisation are likely within the Mac Well tenement, acknowledging the significance and prospectivity of the western granite-greenstone contact, as evidenced by the Western Queen Mine.

No work was conducted on the Mac Well Project during the December 2020 quarter.

Corporate

On 19 October 2020, the Company raised \$2,125,000 through the issue of 25,000,000 ordinary shares at \$0.085 per share.

Cash held by the Company at the end of the quarter was \$3.63 million.

Exploration

ASX Listing Rule 5.3.1: Exploration and Evaluation Expenditure during the Quarter was \$397k. Exploration during the Quarter largely comprised geophysical surveys, drilling and data compilation - full details of activity during the Quarter are set out above.

ASX Listing Rule 5.3.2: There were no mining production and development activities during the Quarter.

Related Party Payments

Pursuant to item 6 in the Company's Appendix 5B – Quarterly Cashflow Report for the Quarter ended 30 June 2020, the Company made payments of \$97k to related parties which relate to existing remuneration arrangements (director fees and superannuation).

Authorised for release by the Board.

Yours faithfully,



Colin Locke
Executive Chairman

Competent person's statement:

The information in this announcement is based on information compiled by Mr Jonathan King, consultant geologist, who is a Member of the Australian Institute of Geoscientists and employed by Collective Prosperity Pty Ltd, and is an accurate representation of the available data and studies for the claim blocks. Mr King has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he has undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr King consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

ASX Announcement (Price Sensitive) released during the Quarter

Date	Headline
16-Dec-20	Bullseye Targets Prompt Priority Focus, Rand Gold Project
8-Dec-20	EL Granted at Highly Prospective Mt Clere REE Project, WA
2-Dec-20	Multiple Mag Anomalies match Historic High Grade Gold Mines
24-Nov-20	Shallow nuggety gold system identified at Quartz Ridge
30-Oct-20	Quarterly Activities Report
30-Oct-20	Quarterly Cashflow Report
14-Oct-20	KTA Completes \$2.1M Placement and Appoints CEO
12-Oct-20	Trading Halt
9-Oct-20	KTA Significantly Expands Rare Earth Acreage at Mt Clere
7-Oct-20	KTA Granted the Rand Gold Project, Lachlan Fold Belt
6-Oct-20	Exploration Update at Britannia Mine, Turon Project


Appendix 1 - Details of Tenements Held at 31 December 2020

Project	Tenement Licence	Interest held at at 30 September 2020	Interest acquired/ disposed	Interest held at 31 December 2020
Belgravia	EL8153	100%	-	100%
Turon	EL8942	100%	-	100%
Rand	EL9000	-	100%	100%
Mt Clere	E09/2357	-	100%	100%
Mt Clere	E51/1994	-	-	++
Mt Clere	E52/3730	-	-	++
Mt Clere	E52/3731	-	-	++
Mt Clere	E52/3836	-	-	++
Mt Clere	E52/3873	-	-	++
Mt Clere	E52/3876	-	-	++
Mt Clere	E52/3877	-	-	++
Mac Well	E59/2175	100%	-	100%
Dalgaranga	P59/2082	100%	-	100%
Dalgaranga	P59/2140	100%	-	100%
Dalgaranga	P59/2141	100%	-	100%
Dalgaranga	P59/2142	100%	-	100%
Dalgaranga	E59/2389	-	-	++
Dalgaranga	E59/2503	-	-	++

+ Tenement applications subject to grant