

Q2
23



KRAKATOA
RESOURCES LTD.

QUARTERLY ACTIVITIES REPORT
June 2023



ASX Code
KTA

Capital Structure

426,376,584 Fully Paid Shares
21,200,000 Options @ 7.5c exp 29/11/23
5,000,000 Options @15c exp 29/11/23
15,000,000 Performance Rights at 20c, 30c and 40c.

Directors

Colin Locke
David Palumbo
Timothy Hogan

www.ktaresources.com

Lv 8 London House
216 St. Georges Terrace,
Perth WA, Australia 6000

HIGHLIGHTS

MT CLERE EXPLORATION UPDATE

- Systematic exploration programs in 2023 are well underway with primary objective to make further discoveries
- To date, Krakatoa has only explored 20% of the ~2,400km² Mt Clere landholding
- Ongoing work is focusing on regional greenfield exploration over recently generated prospective targets
- Natural Gamma Survey results from an area immediately west of 'Tower West' provides a compelling drill target to expand the Tower MRE of 101Mt @ 840ppm TREO (see Appendix 1)
- Historical data and exploration work completed supports large scale potential for carbonatite hard rock REE bodies

KING TAMBA EXTENSIVE PEGMATITE TARGETS IDENTIFIED

- Remote sensing spectral review around King Tamba defined extensive LCT type pegmatite targets in the near-mine area
- Highest ranked targets correlate with previously mapped pegmatite outcrops
- Area around the historical pit was previously mined for Tantalum and Tin, increasing the confidence of further pegmatite swarm development within the area
- Soil and rock sampling undertaken with exceptional lithium results reported subsequent to the quarter of up to 4.3% Li₂O.

SHALLOW DRILL PROGRAM SHOWS SIGNIFICANT REE LEVELS AT RAND PROJECT

- Completion of a 27 hole, 1,318m air core drill program, focused on REE targets
- Drilling defined thick saprolite clays over vertical depths of 60+metres
- Shallow AC intersections over the Ryan and Jindera Granites returned high magnetic rare earth oxides (MREO) and critical rare earth oxide (CREO) levels
- Key intersections returned:
 - 8m at 1056ppm TREO within 42m @ 483ppm TREO (from surface) (RAC004)
 - 12m @ 875ppm TREO from 50m (RAC015)
 - 4m @ 1209ppm TREO from 48m (RAC017)
 - 14m @ 707ppm TREO from 46m (RAC026)
 - 28m @ 658ppm TREO from 26m (RAC006)
 - 6m @ 739ppm TREO from 18m (RAC011)
 - 12m @ 602ppm TREO from 40m (RAC019)
 - 12m @ 564ppm TREO from 36m (RAC024)
 - 7m @ 572ppm TREO from 1m (RAC002)

COMPANY

- The Company raised \$560,000 via a placement during the June quarter
- Cash on hand at end of the quarter is \$952K.
- Subsequent to quarter end, the Company announced a \$3.78m placement and the launch of an entitlements issue to raise up to \$1.01m

Krakatoa Resources Limited (**ASX: KTA**) ("Krakatoa" or the "Company") is pleased to provide the following summary of activities conducted over the June 2023 Quarter.

MT CLERE PROJECT

During the quarter, Krakatoa updated shareholders on the exploration initiatives across Mt Clere project during the 2023 field season (March to November). The objective is to carry out regional exploration programs to replicate the Tower discovery success while also investigating other commodity opportunities within the ~2,400km² land holding.

Regional programs across Mt Clere include:

- Outcrop geological mapping and geochemical (rock and soil) sampling to generate new targets across under-explored region (80% of landholding yet to be explored)
- Targeted exploration fieldwork at specific areas of interest which include Wheelo Creek & Number 6 bore, and a zone of elevated metal values in stream samples identified northeast of One Gum bore
- Petrological work will be completed in order to continue advancing our geological knowledge of the area.
- Geophysical and reconnaissance drill targets will be defined on further successful fieldwork programs

These regional programs are well underway.

KING TAMBA PROJECT

During the quarter, Krakatoa completed a remote sensing study which highlights the lithium-caesium-tantalum (LCT) pegmatite potential of King Tamba.

Prior to the Company's acquisition of King Tamba, historical exploration focused on tantalum with minimal exploration completed outside the main mining area. Having undertaken the remote sensing study, Krakatoa identified areas highly prospective for near surface pegmatites providing a strong platform for future geochemical and mapping exploration.

Krakatoa commissioned DiRT Exploration Services to perform a first pass study of Sentinel-2 remote sensing data over King Tamba with respect to lithium prospectivity indicators. The study considered spectral mineralogy and addition of gas emissions of H₂, He, and CH₄ with consideration of their possible geological sources. A combined targeting index was then determined by compositing the spectral responses of known lithium occurrences in the region and comparing to the responses in the King Tamba area. The study identified multiple targets with potential to host LCT mineralisation (Figure 1 and 2). The highest ranked of these targets are zones which correlate with known mapped pegmatite outcrops that were identified during historic tantalum prospecting. Many other target zones lie over areas which have not previously been subject to mapping, sampling, or drilling (Figure 1).

Sentinel-2 and other comparable remote sensing systems have been used to great effect for target generation in mineral exploration, with many discoveries at least partly credited to their input. Recent examples include Palabora mine (South Africa) and Quellaveco mine (Peru) where Sentinel-2 data helped identify a new copper deposit.

The Sentinel-2 spectral targets were developed at a desktop level and as such will be further refined with field reconnaissance mapping where outcrop is present. Krakatoa has already confirmed a pegmatite

hosted rubidium MRE and combined with the historical mining of pegmatite for tantalum and tin, provides a strong platform for future exploration success.

Initial field testing of these targets was carried out in June with the results reported on 5 July 2023 returning rock chips of up to 4.3% Li₂O.

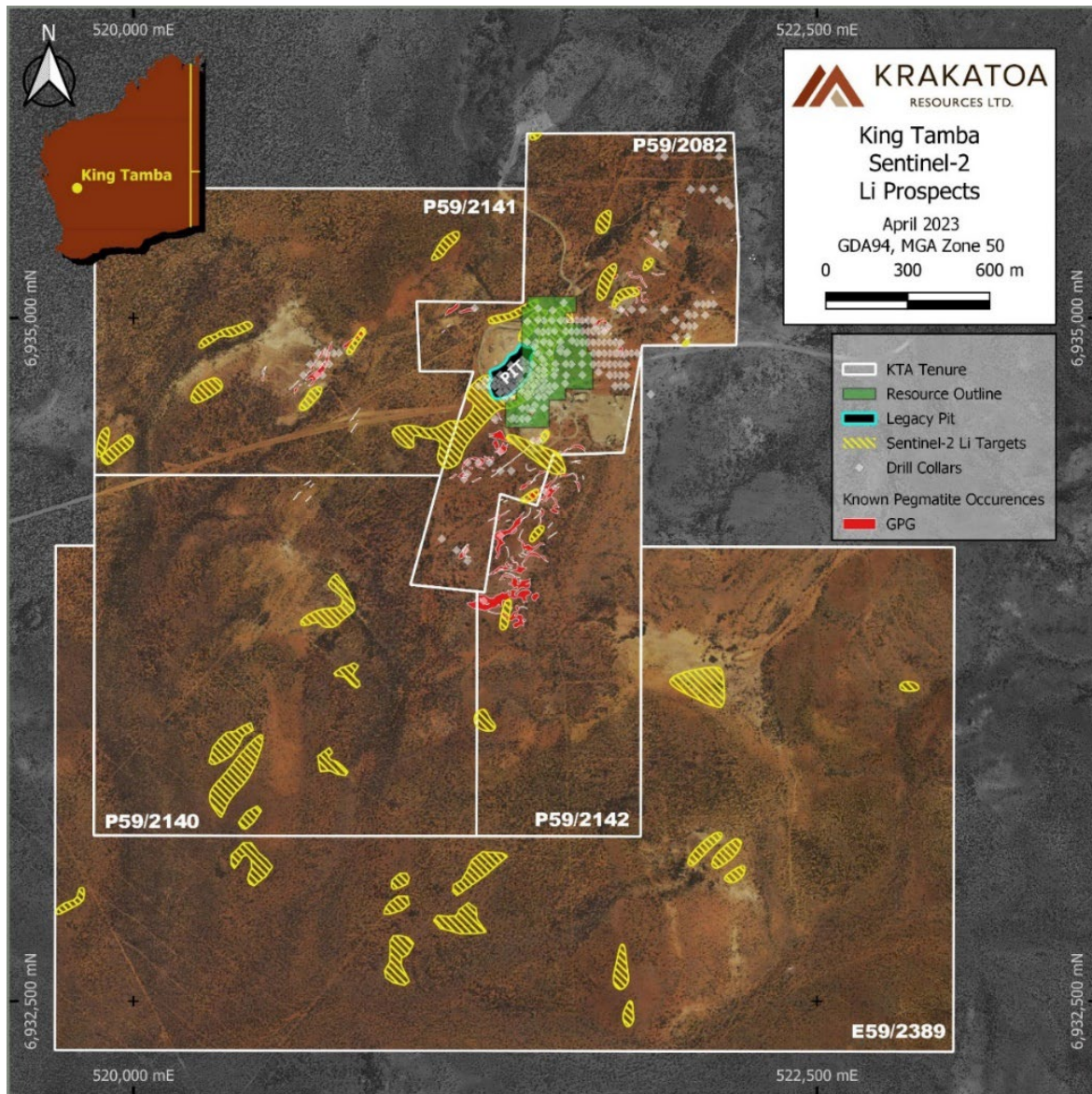


Figure 1: Sentinel-2 Lithium pegmatite targets showing current Mineral Resource area and historical pit

RAND IRGS & REE PROJECT

Krakatoa completed a 27 hole, 1318m Air Core (AC) drill program in the previous quarter, focusing on REE targets including the highly prospective REE-enriched Ryan and Jindera Granites.

Final assays were received during the quarter which has led to the Company making a clay-hosted REE discovery at the Ryan and Jindera Granites.

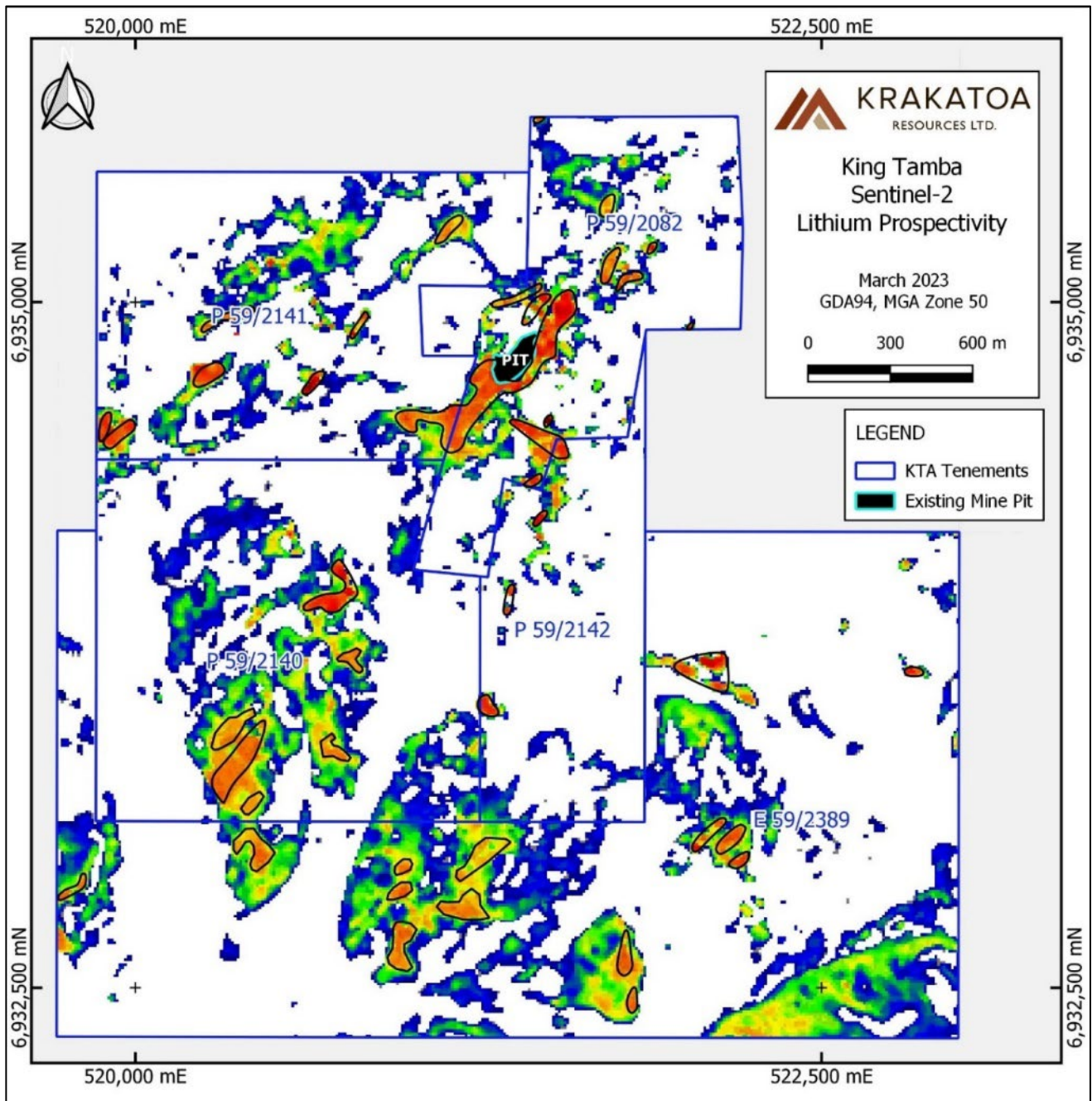


Figure 2: Isometric Sentinel-2 response map over King Tamba area

Key intersections returned:

- 8m at 1056ppm TREO within 42m @ 483ppm TREO (from surface) (RAC004)
- 12m @ 875ppm TREO from 50m (RAC015)
- 4m @ 1209ppm TREO from 48m (RAC017)
- 14m @ 707ppm TREO from 46m (RAC026)
- 28m @ 658ppm TREO from 26m (RAC006)
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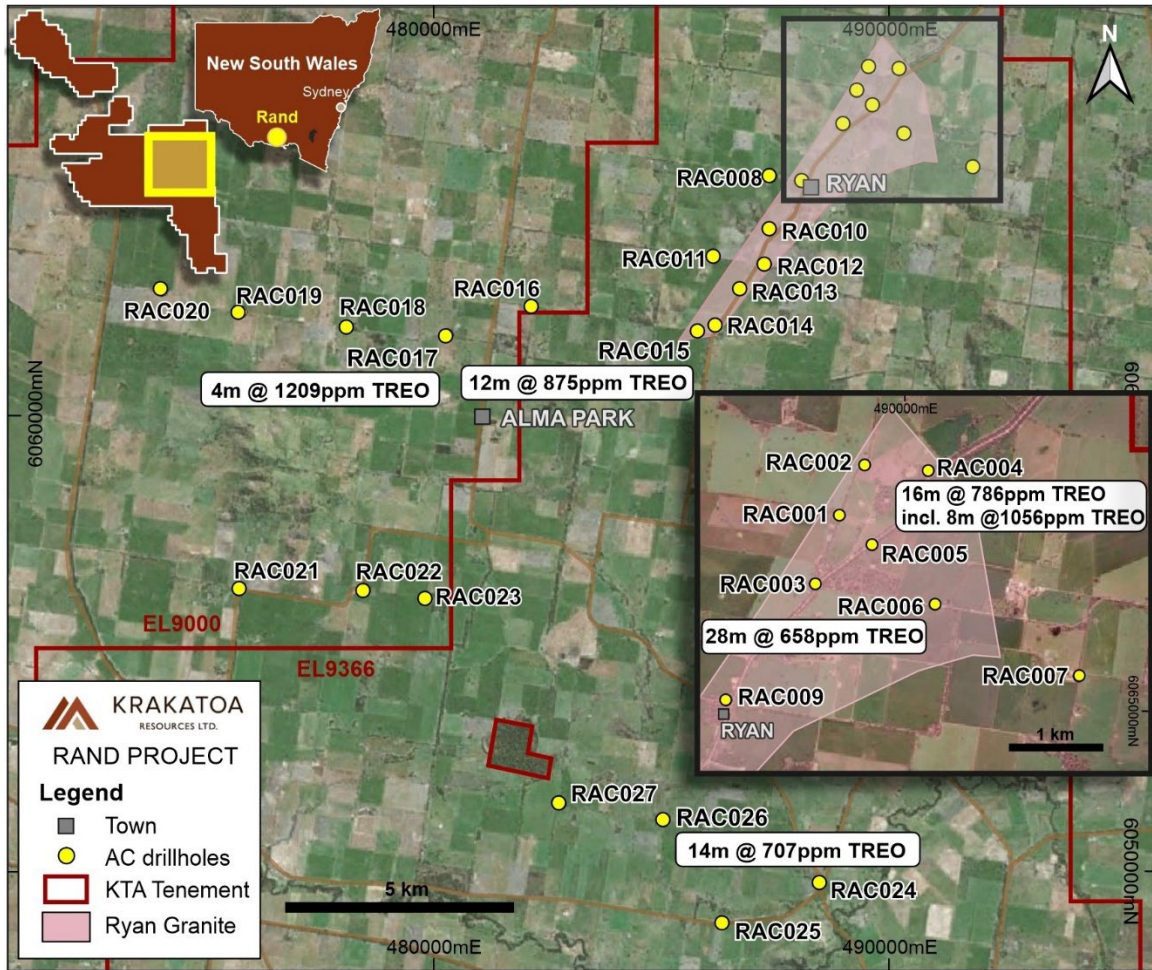


Figure 8: Ryan Granite AC drillholes over bedrock geology with drill intercepts

Full details are found in ASX Announcement dated 8 May 2023.

TURON GOLD PROJECT

No work was conducted on the Project during the last Quarter.

BELGRAVIA CU-AU PORPHYRY PROJECT

No work was conducted on the Project during the last Quarter.

MAC WELL GOLD PROJECT

No work was conducted on the Project during the last Quarter. The Company may look for a partner to explore this project in due course.

CORPORATE

During the quarter the company raised \$560,000 (before costs) via a placement of 18,666,667 ordinary shares at an issued price of \$0.03 per share. The placement was by the Company's two current substantial shareholders who have been long term supporters of the Board and management team.

Cash on hand as the end of the quarter was \$952k at Quarter end.

Subsequent to quarter end, the Company announced a \$3.78m placement and the launch of an entitlements issue to raise up to \$1.01m

Exploration

ASX Listing Rule 5.3.1: Exploration and Evaluation Expenditure during the Quarter was \$378k. Exploration during the Quarter largely comprised of drilling exploration and assays, metallurgical test work, target generation and preparation for future exploration programs - 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.

Tenements held by the company, at the end of the quarter are presented in Appendix 2.

Related Party Payments

Pursuant to item 6 in the Company's Appendix 5B – Quarterly Cashflow Report for the Quarter ended 30 June 2023, the Company made payments of \$72k 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

Disclaimer

Forward-looking statements are statements that are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to statements regarding future production, resources or reserves and exploration results. All of such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include, but are not limited to: (i) those relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations, (ii) risks relating to possible variations in reserves, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined, (iii) the potential for delays in exploration or development activities or the completion of feasibility studies, (iv) risks related to commodity price and foreign exchange rate fluctuations, (v) risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities, and (vi) other risks and uncertainties related to the Company's prospects, properties and business strategy. Our audience is cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof, and we do not undertake any obligation to revise and disseminate forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of or non-occurrence of any events.

Competent Person's Statement

The information in this announcement is based on, and fairly represents information compiled by Mark Major, Krakatoa Resources CEO, who is a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Krakatoa Resources. Mr Major 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 Major 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
3-Apr-23	Extensive Pegmatite Targets Identified at King Tamba
20-Apr-23	Placement
26-Apr-23	Quarterly Activities Report & Appendix 5B cash flow report
8-May-23	Clay-Hosted REE discovery made at Ryan Prospect, Rand Project
7-Jun-23	Exploration Update – Mt Clere

Appendix 1 - Tower Mineral Resource Estimate Summary

JORC Classification	Tonnes (Mt)	TREO (ppm)	TREO – CeO ₂ (ppm)	CREO (ppm)	HREO (ppm)	LREO (ppm)	U ₃ O ₈ (ppm)	ThO ₂ (ppm)
Indicated	40	824	481	233	182	642	1	31
Inferred	61	852	540	290	266	586	2	32
Total⁽¹⁾	101	840	517	267	233	607	2	32

Notes:

- (1) Mineral Resources previously reported to the ASX on 21 November 2022, titled “KTA Delivers Maiden Rare Earth Mineral Resource at Tower”. The Mineral Resource is based on a cut-off grade of 300 ppm TREO-CeO₂. The Mineral resource is produced in accordance with the 2012 Edition of the Australian Code for Reporting of Mineral Resources and Ore Reserves (JORC 2012). The Company is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Competent Persons Statement - The information in this report and above, which relates to Mineral Resources for the Tower rare earth deposit is based upon and fairly represents information compiled by Mr Greg Jones who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Jones is a full-time employee of IHC Mining and has sufficient experience relevant to the style of mineralisation, the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Jones consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Appendix 2 - Details of Tenements Held at 30 June 2023

Project	Tenement Licence	Interest held at at 31 March 2023	Interest acquired/ disposed	Interest held at 30 June 2023
Belgravia	EL8153	100%	-	100%
Turon	EL8942	100%	-	100%
Rand	EL9000	100%	-	100%
Rand	EL9276	100%	-	100%
Rand	EL9277	100%	-	100%
Rand	EL9366	100%	-	100%
Mt Clere	E09/2357	100%	-	100%
Mt Clere	E52/3730	100%	-	100%
Mt Clere	E52/3731	100%	-	100%
Mt Clere	E52/3836	100%	-	100%
Mt Clere	E52/3873	100%	-	100%
Mt Clere	E52/3876	100%	-	100%
Mt Clere	E52/3877	100%	-	100%
Mt Clere	E51/1994	100%	-	100%
Mt Clere	E52/3938	100%	-	100%
Mt Clere	E52/3962	100%	-	100%
Mt Clere	E52/3972	100%	-	100%
Mac Well	E59/2175	100%	-	100%
King Tamba	P59/2082	100%	-	100%
King Tamba	P59/2140	100%	-	100%
King Tamba	P59/2141	100%	-	100%
King Tamba	P59/2142	100%	-	100%
King Tamba	E59/2389	100%	-	100%
King Tamba	E59/2503	+	-	+

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

KRAKATOA RESOURCES LIMITED

ABN

39 155 231 575

Quarter ended ("current quarter")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(378)	(2,874)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(185)	(834)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(563)	(3,708)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(5)	(78)
(d) exploration & evaluation		
(e) investments		
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) investments		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(5)	(78)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	560	560
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(43)	(43)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	517	517

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,003	4,221
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(563)	(3,708)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(5)	(78)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	517	517

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	952	952

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	937	1,003
5.2	Call deposits	15	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	952	1,003

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	72
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(563)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(563)
8.4 Cash and cash equivalents at quarter end (item 4.6)	952
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	952
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.69
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Yes – the Company plans to continue its exploration activities focused on its King Tamba Lithium Project.	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Yes – on 10 July 2023, the Company announced a \$3.78m Placement and launched an entitlement offer to raise a further \$1.01m.	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: Yes, for the reason noted in 8.8.2 above.	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: **27 July 2023**

Authorised by: **By the Board**
(Name of body or officer authorising release – see note 4)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.