



**KRAKATOA**

RESOURCES LTD.

**& Controlled Entities**

**Annual Report  
For the year ended 30 June 2023**

**Krakatoa Resources Limited  
& Controlled Entities**

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**Krakatoa Resources Limited  
& Controlled Entities**

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**CORPORATE DIRECTORY**

**PRINCIPAL AND REGISTERED OFFICE**

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Perth WA 6000

Tel: +61 8 9481 0389

Fax: +61 8 9463 6103

Email: [admin@ktaresources.com](mailto:admin@ktaresources.com)

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**CHIEF EXECUTIVE OFFICER**

Mark Major

**DIRECTORS**

Colin Locke – Executive Chairman  
Timothy Hogan – Non-Executive Director  
David Palumbo – Non-Executive Director

**COMPANY SECRETARY**

David Palumbo

**SHARE REGISTRAR**

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace  
Perth WA 6000

Tel: +61 8 9323 2000

Fax: +61 8 9323 2033

Web: [www.computershare.com.au](http://www.computershare.com.au)

**AUDITORS**

RSM Australia Partners  
Level 32, Exchange Tower  
2 The Esplanade  
PERTH WA 6000

**STOCK EXCHANGE LISTING**

Australian Securities Exchange  
ASX Code: KTA

# Krakatoa Resources Limited & Controlled Entities

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## DIRECTORS' REPORT

Your directors present the following report on Krakatoa Resources Limited (the "Company") and controlled entities (referred to hereafter as the "Group") for the financial year ended 30 June 2023.

### DIRECTORS

The names of directors in office at any time during the financial year and up to the date of this report are:

- Colin Locke (Executive Chairman)
- Timothy Hogan (Non-Executive Director)
- David Palumbo (Non-Executive Director)

Unless noted above, all directors have been in office since the start of the financial year to the date of this report.

### COMPANY SECRETARY

The following persons held the position of Company secretary during the financial year:

- David Palumbo

### PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was the acquisition and exploration of resource based projects.

### OPERATING RESULTS

The loss of the Group after providing for income tax amounted to \$3,466,003 (2022: \$4,318,516).

### FINANCIAL POSITION

As at 30 June 2023, the Group had a cash balance of \$951,702 (2022: \$4,220,925) and a net asset position of \$885,866 (2022: \$3,826,063).

### DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid, and the directors do not recommend the payment of a dividend for the financial year ended 30 June 2023.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

No significant changes in the state of affairs occurred during the financial year.

# Krakatoa Resources Limited & Controlled Entities

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## DIRECTORS' REPORT (CONT.)

### REVIEW OF OPERATIONS

During the financial year, the Group continued its active systematic exploration focusing on the Company's WA assets. The company undertook significant exploration over the course of the 12 months which resulted in defining two JORC compliant mineral resource estimates and additional target identification.

Details of the project specific exploration operations are provided below.

#### **Mt Clere Project – Prospective for REE, Li, HMS, Ni, Cu +/- Co, PGE**

During the financial year, the Mt Clere Project tenements were systematically explored for rare earth elements, heavy mineral sands and nickel-copper metal sulphides. The company currently controls more than 2,400km<sup>2</sup> of prospective land separated over 11 tenements.

The project is located approximately 200km northwest of Meekatharra, within the Narryer terrane located in the north-western margins of the Yilgarn Craton in Western Australia. The Narryer Terrane is thought to represent reworked remnants of greenstone sequences.

The initial exploration activities undertaken during the 2021 financial year identified several areas of interest that recorded highly anomalous rare earth elements, base metals and pathfinder elements associated with platinum group mineralisation systems. Several of these areas were followed up with reconnaissance air core (AC) drilling program in the last financial year and resulted in the discovery of significant REE mineralisation within the well-developed clay-rich regolith profiles over the Tower area. These clay zones were enriched in high value magnetic and critical rare earth elements.

The company has drilled more than 200 holes around the Tower area and resulted in a major maiden mineral resource estimate of 101 million tonnes (MT) of total rare earth oxide (TREO) grading 840 parts per million (ppm) (Figure 1). The mineral resource estimate is set out in the Table 1 below, together with the exploration target for the extensional areas.

The impressive maiden mineral resource estimate (MRE) was defined in only 7 months following the discovery at Tower and is highlighted by thick zones of near-surface mineralisation. 40% of the mineral resource estimate is classified in an Indicated category. Importantly, the existing resource has significant potential to substantially grow in size and scale as the mineral resource estimate only includes ~20% of the identified exploration target drilled to date.

In addition, an exploration target for the Tower area was estimated to be an additional 57 – 481MT at 530-1050ppm TREO.

The potential quantity and grade of the exploration target is conceptual in nature and is therefore an approximation. There has been insufficient exploration to estimate a mineral resource and it is uncertain if further exploration will result in the estimation of a mineral resource. The parameters and assumption of the various input parameters for the exploration target are detailed in Table 2.

Following delivery of a maiden MRE at the Tower Deposit in November, Krakatoa delivered another significant milestone through the successful completion of a metallurgical test work program, which generated excellent metallurgical recoveries on key rare earth elements Neodymium (Nd) and Praseodymium (Pr).

The mineralogical study and metallurgical tests were conducted by the ANSTO research facility in Sydney which has extensive experience in rare earth metallurgical testing on samples from many deposits worldwide, including China. The results of the five composite samples represented the main mineralised saprolite over 4-hole locations, with head grades ranging from 441-846ppm TRE+Y (300-527ppm TRE-Ce) showed that extraction of the key magnetic (payable) REE's achieved up to 63% for Neodymium (Nd), 61% Praseodymium (Pr), 53% Terbium (Tb) and 44% Dysprosium (Dy).

These results were achieved using modest acidic water as the lixiviant at 50°C and pH 1 for a duration of 6 hours. Importantly, these initial recovery rates compare favourably with other globally significant clay hosted REE projects.

## Krakatoa Resources Limited & Controlled Entities

### DIRECTORS' REPORT (CONT.)

The QEMSCAN (quantitative evaluation of minerals by scanning electron microscopy) techniques provided encouraging results indicating that the clay is dominated by smectites, with minor amounts of refractory minerals present. The small refractory mineral proportion is dominated by monazite, with the higher extractions aligned with the sample having less contained monazite. All the REE clay minerals and phases are typically less than 20 microns, which suggests simple beneficiation may be beneficial.

**Table 1. Tower project Mineral Resources estimate and Exploration Target.**

Resource Classification JORC	Tonnes (Mt)	TREO (ppm)	TREO – CeO <sub>2</sub> (ppm)	CREO (ppm)	HREO (ppm)	LREO (ppm)	U <sub>3</sub> O <sub>8</sub> (ppm)	ThO <sub>2</sub> (ppm)
Indicated	40	824	481	233	182	642	1	31
Inferred	61	852	540	290	266	586	2	32
<b>Total<sup>(1)</sup></b>	<b>101</b>	<b>840</b>	<b>517</b>	<b>267</b>	<b>233</b>	<b>607</b>	<b>2</b>	<b>32</b>
<b>Exploration Target<sup>(2)</sup></b>	<b>57 - 481</b>	<b>530 - 1050</b>	<b>320-625</b>				<b>1 - 4</b>	<b>10- 35</b>

**Notes:**

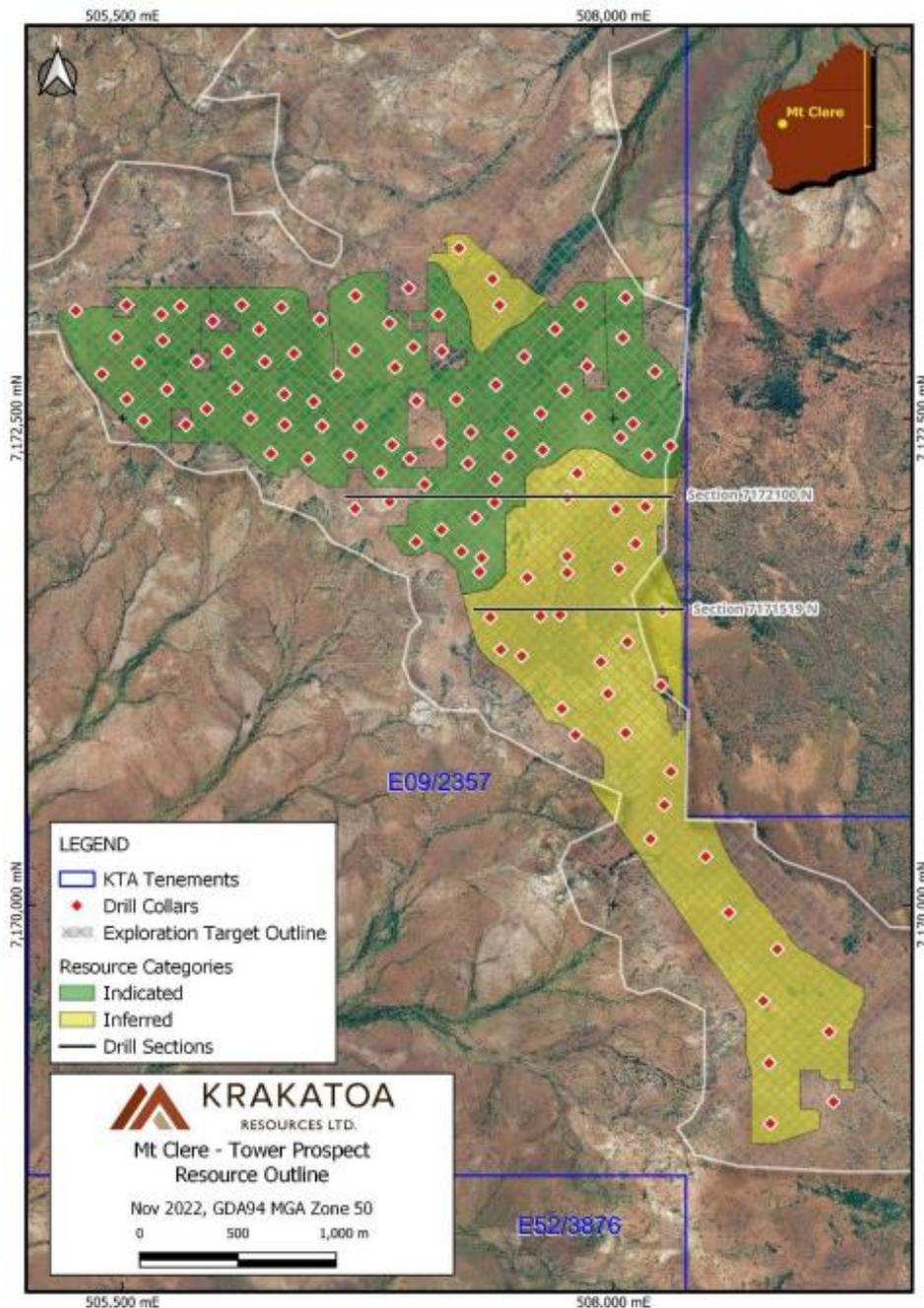
- (1) Mineral Resources reported at a cut-off grade of 300 ppm TREO-CeO<sub>2</sub>
- (2) Exploration target is reported as a range. The potential quantity and grade of the Exploration Target is conceptual in nature and is therefore an approximation. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource

**Table 2: Exploration Target parameters and assumptions**

Parameter	Comments
Geological model	Based on drill hole regolith logging, assay results, geological mapping, radiometric and spectral imagery
Bulk Density	1.78 g/cm <sup>3</sup> – estimated based on known clay material characteristics and reflects same density as the Mineral resource estimate
Number of drill holes,	139 drill holes in total: 39 logged and assayed over the Tower West area, plus 100 holes drilled and assayed that make up the Mineral resource estimates over the Tower central and southern area; Clay hosted >500ppm TREO intersection identified with geological information
Cut-off grades	200ppm TREO, no other element cut offs were used
Target grade	>750ppm TREO
Mineralisation zonation factor – dilution factor	REO zone thickness in drilled areas were averaged and those REO zone thickness outside the drilled area is discounted by ~35-40% to account for variability in mineralisation zonation due to topographical and basement highs.

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**DIRECTORS' REPORT (CONT.)**



**Figure 1 Tower Project JORC classification plan with drillhole and cross sections shown**

Late in the reporting year the company initiated a series of major greenfield exploration programs across the more extensive Mt Clere project. The objective is to carry out regional exploration programs to replicate the Tower discovery success while also investigating other commodity opportunities within the vast land holding.

These programs included outcrop geological mapping and geochemical (rock and soil) sampling to generate new targets across under-explored region. Targeted exploration fieldwork at specific areas of interest previously identified, which include Wheelo Creek & Number 6 bore, and a zone of elevated metal values in stream samples identified northeast of One Gum bore, to name a few.

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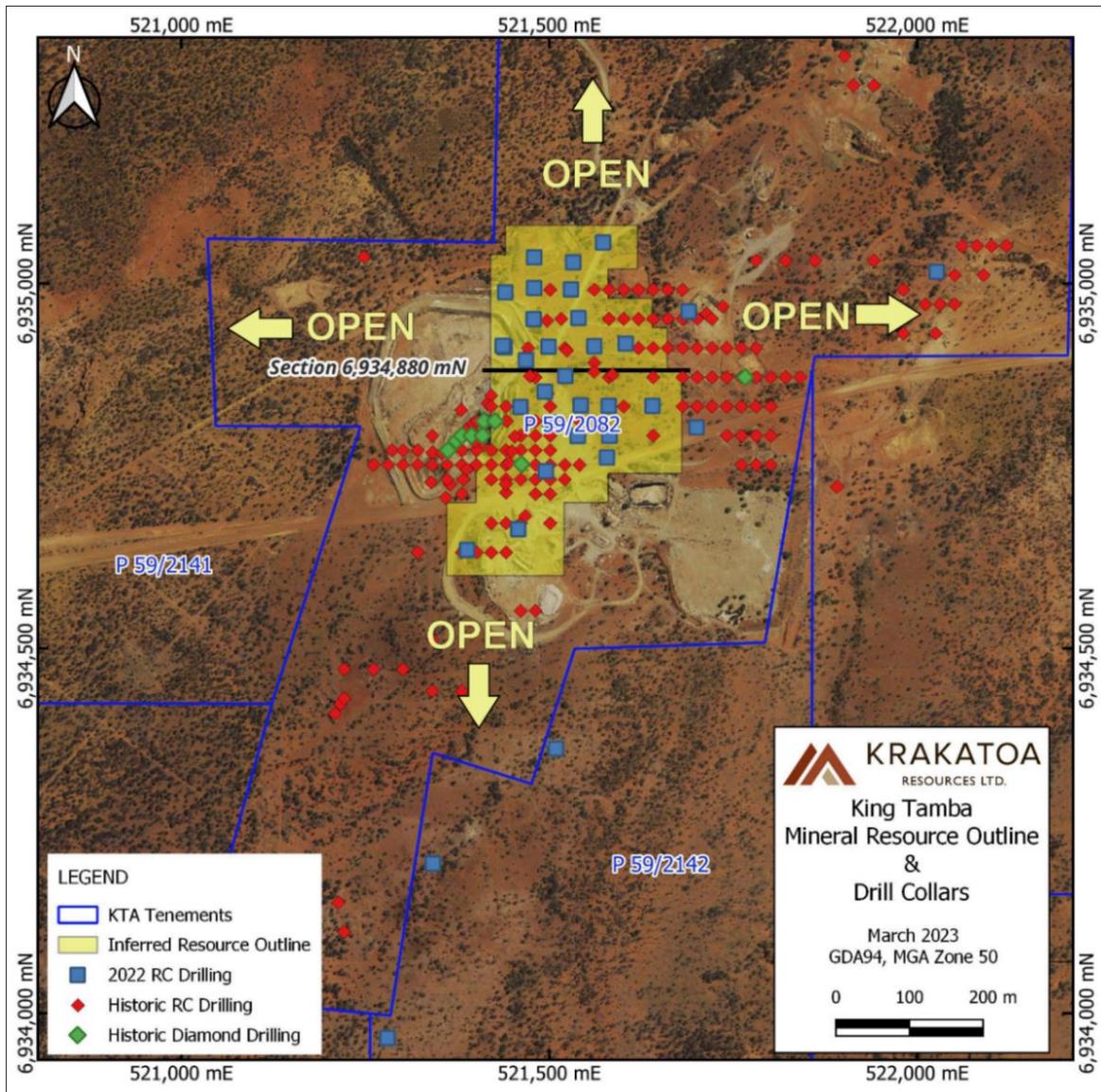
**DIRECTORS' REPORT (CONT.)**

**King Tamba Project – Prospective for Ta, Rb, Nb, Sn, W, Li, +/- Base metals**

The King Tamba Project (formerly known as 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 LCT pegmatites.

The presence of critical metal minerals such as tapiolite, tantalite, columbite, zinnwaldite and lepidolite (lithium-bearing micas) were recognised during field mapping and confirmed anomalous critical metals during the rock chip sampling programmes completed in late 2016 to mid-2017.

During the period, the company completed a resource development drill program that resulted in a maiden mineral resource estimation (MRE) of 5Mt @ 0.14% Rb<sub>2</sub>O with a Li<sub>2</sub>O credit (Figure 2 and Table 3). The resource was highlighted by thick zones of mineralised pegmatites up to 70m in thickness and mineralisation remains open in all directions.



**Figure 2 Location of Mineral Resource area, drill holes, and remanent mine facilities**

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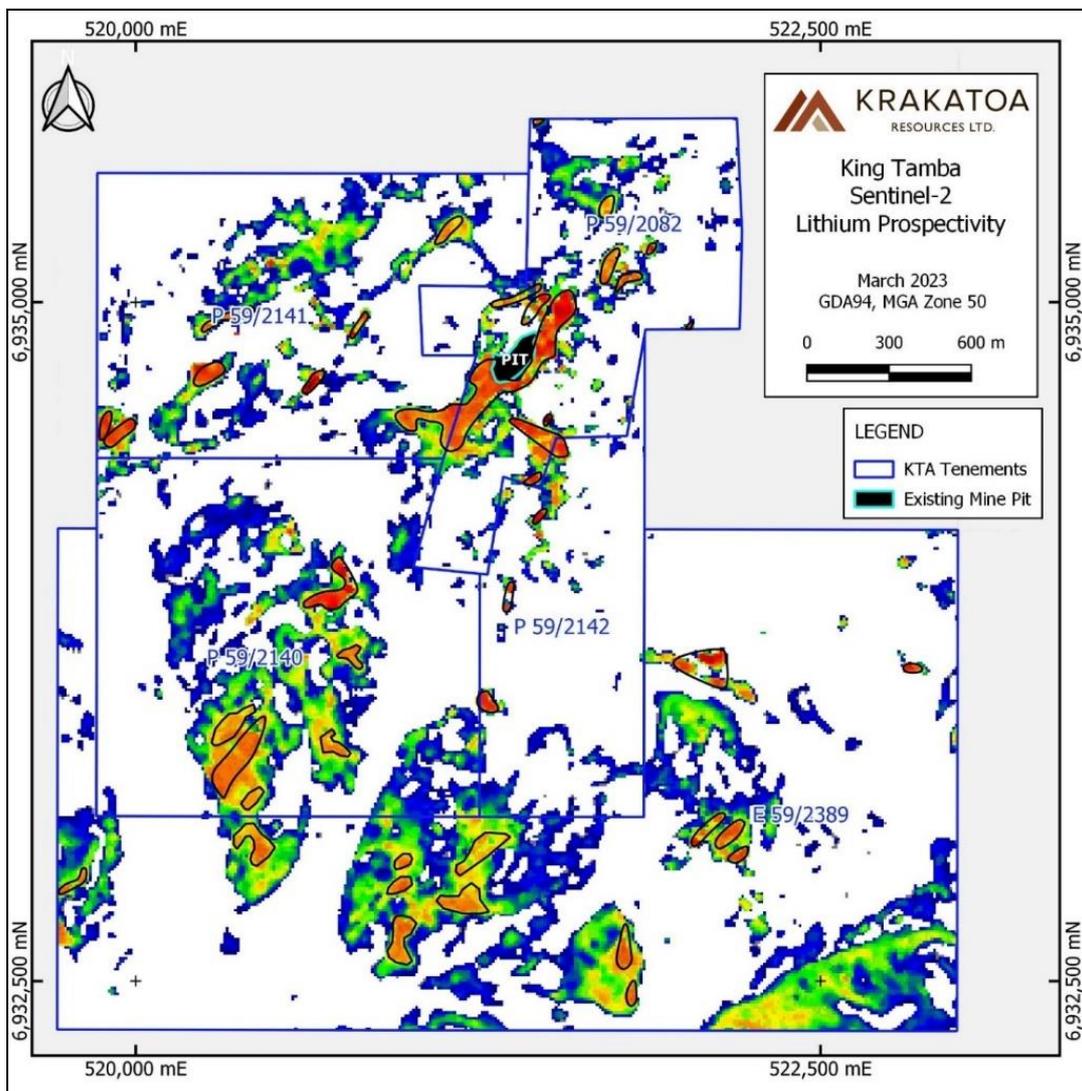
**DIRECTORS' REPORT (CONT.)**

**Table 3: King Tamba Mineral Resource Estimate**

Resource Classification JORC	Cut-off (Rb <sub>2</sub> O %)	Tonnes (Mt)	Rb <sub>2</sub> O (%)	Li <sub>2</sub> O (%)	Contained Rb <sub>2</sub> O (t)	Contained Li <sub>2</sub> O (t)
Inferred	0.05	5.0	0.14	0.05	7300	2700
<b>Total</b>	<b>0.05</b>	<b>5.0</b>	<b>0.14</b>	<b>0.05</b>	<b>7300</b>	<b>2700</b>

Krakatoa also 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. This first pass study of Sentinel-2 remote sensing data was assist with identifying prospective targets with potential to host LCT mineralisation. Multiple targets were generated with the highest ranked correlating with known mapped pegmatite outcrops. Many other target zones lie over areas which have not previously been subject to mapping, sampling, or drilling (Figure 1).



**Figure 3: Isometric Sentinel-2 response map over King Tamba area**

# Krakatoa Resources Limited & Controlled Entities

## DIRECTORS' REPORT (CONT.)

Initial field testing of these targets was carried out in the end of the reporting period (June) with the results reported on 5 July 2023 returning rock chips of up to 4.3% Li<sub>2</sub>O.

Opportunistic rock sampling in the area also revealed the presence of anomalous rubidium (peak values of >5,000ppm (sample AD004) and 3463.9ppm Rb (sample 17D022)) Tantalum (1,854ppm Ta<sub>2</sub>O<sub>5</sub> (sample 16D016), and Niobium (725ppm Nb in sample 16D005) within the mine and southern pegmatite area. Since then further work has identified several zones of higher grade mineralisation.

### Rand Project- Prospective for IRGS (Au), granite hosted Sn and REE.

During the financial year, the Company undertook reconnaissance aircore drilling focusing on REE targets around the Ryan and Jindera Granite area (Figure 4).

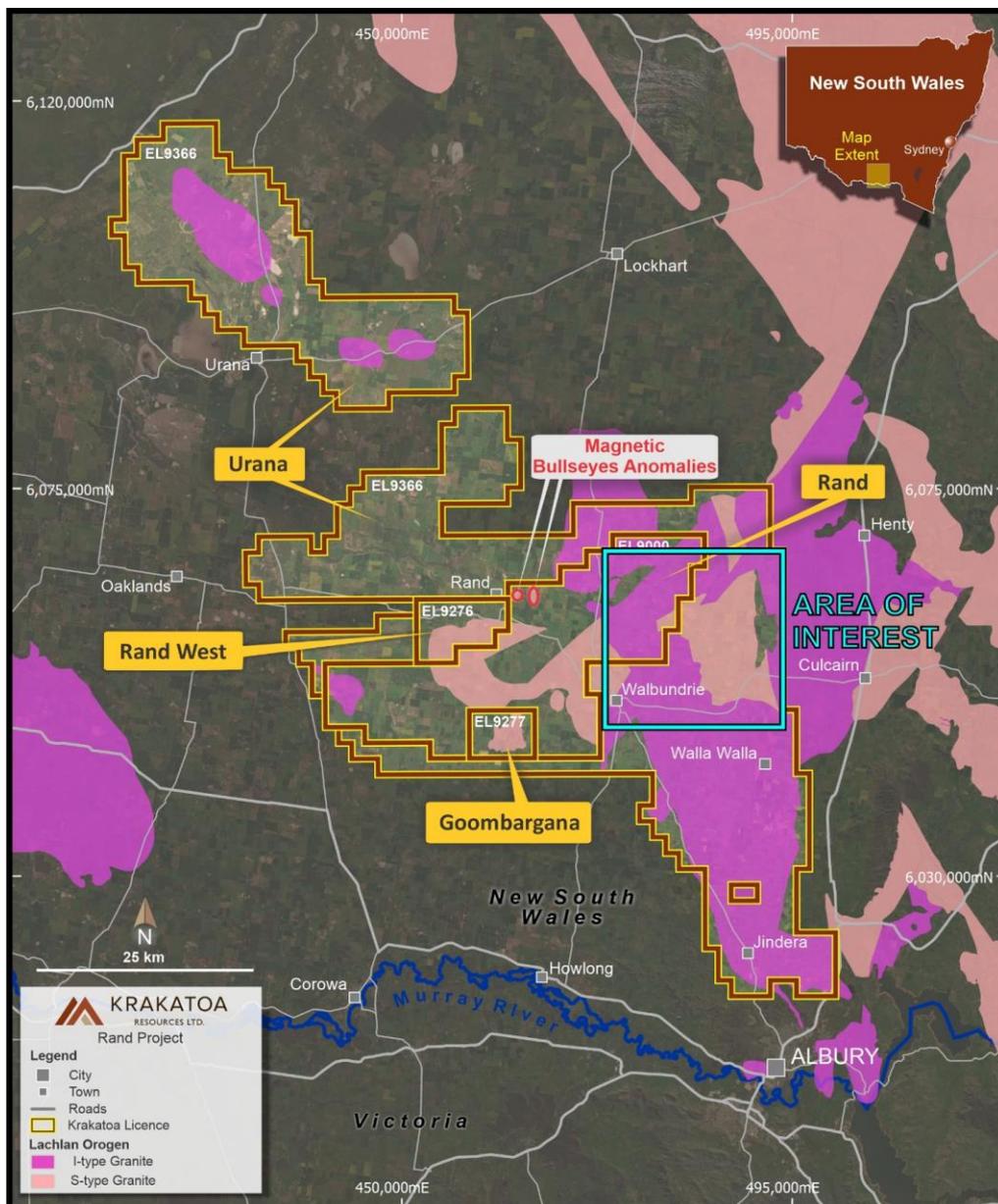


Figure 4 Map showing location of KTA exploration licences and area of aircore drilling.

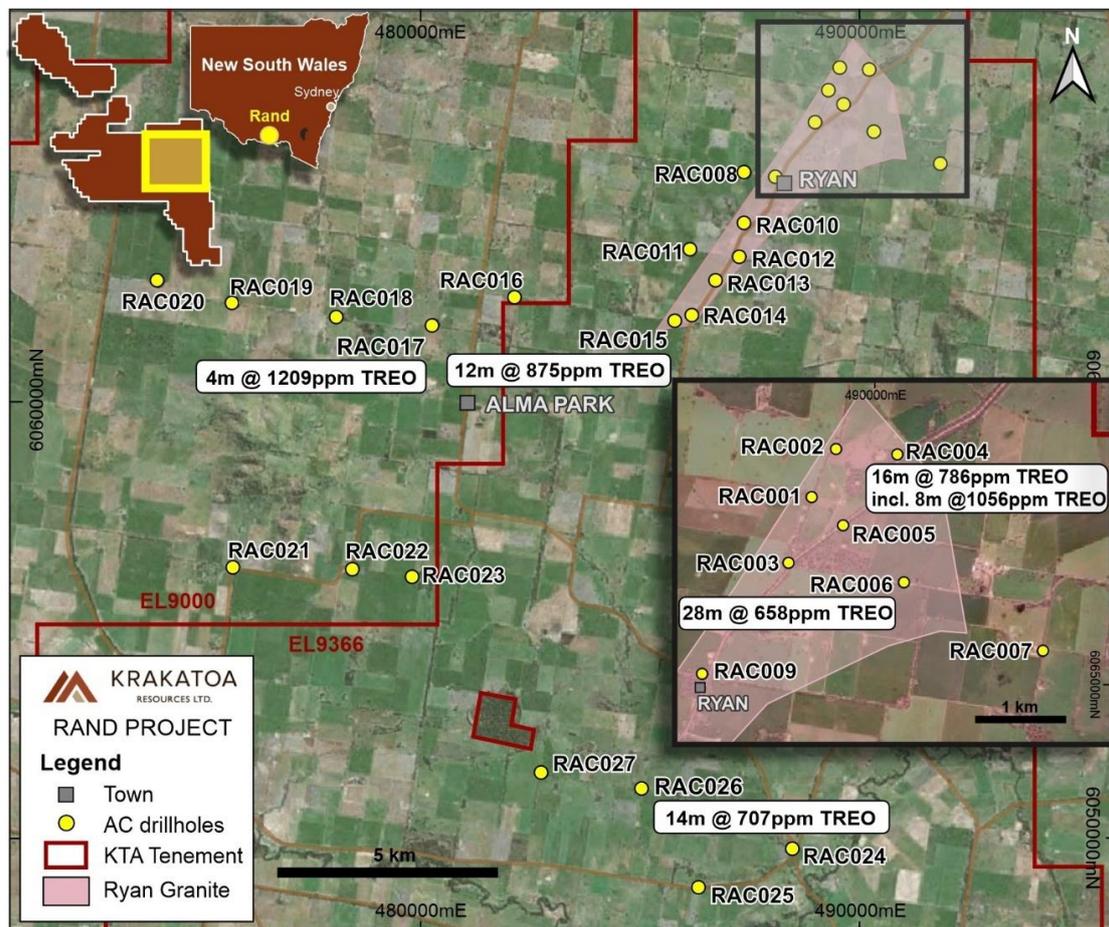
# Krakatoa Resources Limited & Controlled Entities

## DIRECTORS' REPORT (CONT.)

The drill program consisted of 27 holes for 1318m of Air Core. The assays were received indicating the area has the potential for clay-hosted REE discovery (Figure 5).

Key intersections returned:

- 8m @ 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)



**Figure 5: Ryan Granite AC drillholes over bedrock geology with drill intercepts**

The company is still in negotiations for land access over the well-known Goombargana granite area. This is a historical mining area which was active prior to 1949 for the industrial mineral feldspar. More recent exploration and metallurgical studies were undertaken on the commercialisation of potash and soda feldspars, in the late 1990's by Wallarah Minerals Pty Ltd (Walarah). This project was abandoned due to the Asian economic crisis in late 1990's. The price for Soda Ash has fluctuated around \$250-\$700/t within the last 5 years to \$450/t more recently.

# Krakatoa Resources Limited & Controlled Entities

## DIRECTORS' REPORT (CONT.)

### Belgravia Project – Cu, Au,

The Belgravia Project covers an area of 80km<sup>2</sup> 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 (Figure 6) with considerable exploration potential for porphyry Cu-Au and associated skarn mineralisation.

During the reporting period the Company completed a Dipole Dipole Induced Polarisation (DDIP) survey along the Bella anomaly. No further work has been undertaken.

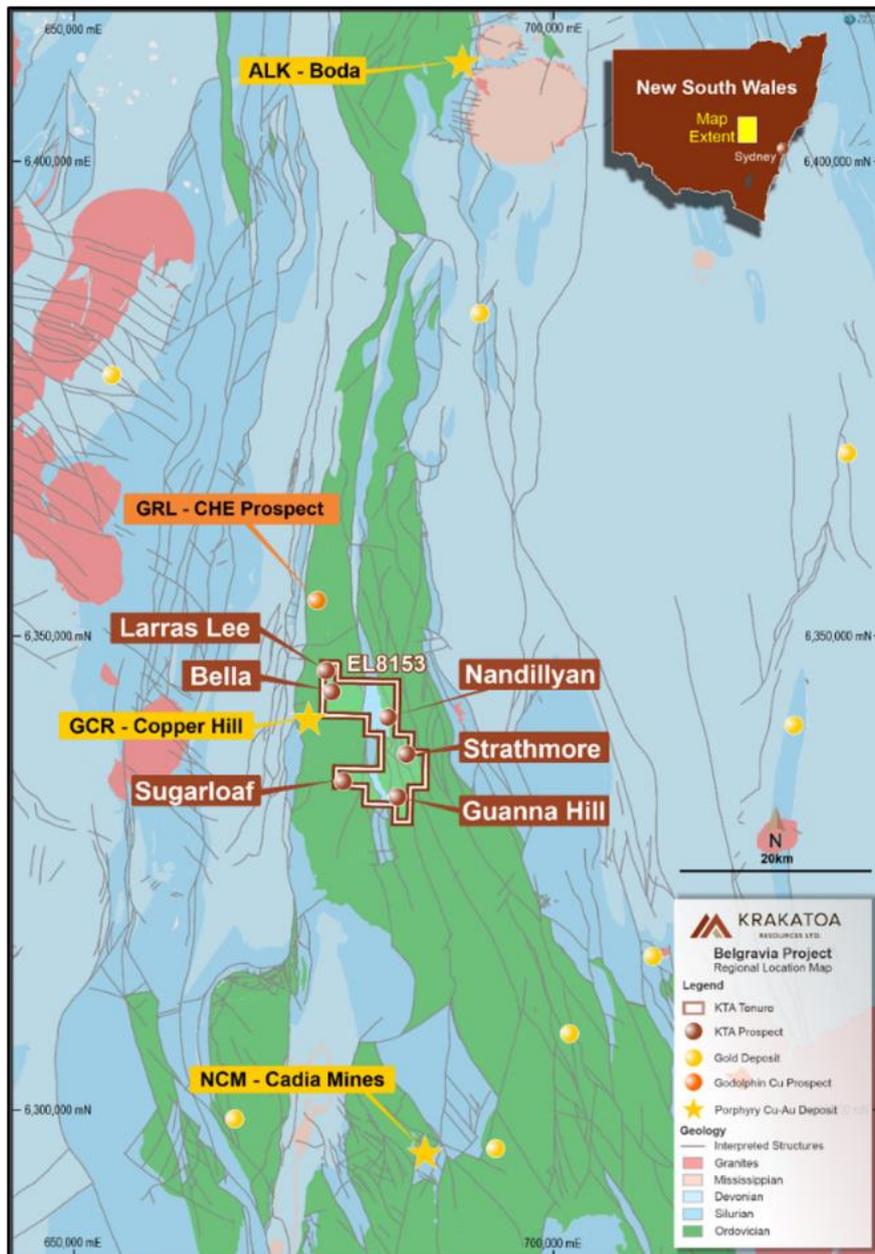


Figure 6 Belgravia project location map, prospects and major copper & gold mines and deposits on regional bedrock geology.

# Krakatoa Resources Limited

## & Controlled Entities

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### DIRECTORS' REPORT (CONT.)

#### **Turon Project – Au, +/-Cu**

The Turon Project covers an area of 120km<sup>2</sup>. 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.

Past explorers report numerous significant gold grades from chip and mullock sampling along the length of the gold workings, including 1,535g/t, 135g/t, 26g/t, 14.6g/t, 12.55g/t and 11.3 g/t Au.

The company completed a small diamond drill program in 2020 over several identified targets within the Turon project. The drilling was designed to test several shallow gold targets situated within the Box Ridge (Britannia Mine) and Quartz Ridge line of workings which strike over 2.4km and 1.6km respectively.

Limited site-based reconnaissance activities were undertaken during the last financial year.

#### **Mac Well Project - Au**

The Mac Well Project has a land area of 66.9km<sup>2</sup> 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.

Limited site-based reconnaissance activities were undertaken during the last financial year.

#### ***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.

The information in this report 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". The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement (ASX announcement dated 21 November 2022) and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement (ASX announcement dated 21 November 2022) continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement (ASX announcement dated 21 November 2022).

## **Krakatoa Resources Limited & Controlled Entities**

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### **DIRECTORS' REPORT (CONT.)**

The information in this report that relates to Mineral Resources for King Tamba is based on information compiled by Mr Daniel Saunders, a Competent Person who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Saunders is a full-time employee of Cube Consulting Pty Ltd, acting as independent consultants to Krakatoa Resources Limited. Mr Saunders has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity being undertaken 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'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement (ASX announcement dated 9 March 2023) and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement (ASX announcement dated 9 March 2023) continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement (ASX announcement dated 9 March 2023).

# Krakatoa Resources Limited & Controlled Entities

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## DIRECTORS' REPORT (CONT.)

### INFORMATION ON DIRECTORS

#### Colin Locke

Executive Chairman

From 1984 to 1993, Colin Locke worked in the mining industry processing base and precious metals. During this time, he traded resource stocks and international futures contracts.

In 1993, Mr. Locke joined an Australian commodity and futures broking firm as an investment advisor and became a Director in 1994. In 1998 Mr. Locke founded a boutique Australian Financial Services firm and held the position of Managing Director from 1999 until 2010.

In 2007 Mr. Locke held the role of Corporate Advisor during the acquisition process for the Mayoko iron ore project in the Republic of Congo that was subsequently taken over in 2010 for circa AUD 50mi and later on sold for over 300mi.

From 2008, Mr. Locke focused on natural resources exploration pursuits through the Indonesian archipelago and founded Western Mining Network Ltd, (now Aston Minerals Limited, ASO) where he held the role of Executive Director from 2010 until 2012.

Mr. Locke brings to the board and shareholders a mining related background with business management and financial experience spanning over 30 years. He currently serves on the board of Rubix Resources Limited (ASX: RB6)

#### Interest in Securities

1,329,000 Fully paid ordinary shares  
4,000,000 options exercisable at \$0.075 on or before  
29 November 2023  
2,500,000 share performance rights vesting at \$0.20 on or before  
29 November 2023  
2,500,000 share performance rights vesting at \$0.30 on or before  
29 November 2023  
2,500,000 share performance rights vesting at \$0.40 on or before  
29 November 2023

#### Directorships held in other listed entities

Rubix Resources Limited

## Krakatoa Resources Limited & Controlled Entities

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### DIRECTORS' REPORT (CONT.)

#### Timothy Hogan

Non-Executive Director

Mr. Hogan has approximately 25 years' experience in the stockbroking industry in Australia, initially as a founding private client advisor at Hogan and Partners. Mr. Hogan has provided corporate and execution services for a wide variety of corporate and private clients.

Mr. Hogan is currently a Director of Barclay Wells Limited, a boutique advisory firm that specialises in Australian resource stocks and has assisted many companies from their initial capital raising and flotation on the ASX through to production. Mr. Hogan brings extensive experience and a wide range of contacts that will benefit the Company.

#### Interest in Securities

400,000 Fully paid ordinary shares  
3,000,000 options exercisable at \$0.075 on or before  
29 November 2023

#### Directorships held in other listed entities

None

#### David Palumbo

Non-Executive Director & Company Secretary

Mr Palumbo is a Chartered Accountant and graduate of the Australian Institute of Company Directors with over fourteen years' experience across company secretarial, corporate advisory and financial management and reporting of ASX listed companies. Mr Palumbo is an employee of Mining Corporate Pty Ltd, where he has been actively involved in numerous corporate transactions. Mr Palumbo is currently a Non-Executive Director of Albion Resources Limited (ASX: ALB) and Rubix Resources Limited (RB6).

#### Interest in Securities

4,500,000 Fully paid ordinary shares  
2,100,000 options exercisable at \$0.075 on or before  
29 November 2023

#### Directorships held in other listed entities

Albion Resources Limited  
Rubix Resources Limited

### REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director of Krakatoa Resources Limited and for the executives receiving the highest remuneration.

# Krakatoa Resources Limited

## & Controlled Entities

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### DIRECTORS' REPORT (CONT.)

#### 1. Employment Agreements

Mr Colin Locke has worked for the Group in an executive capacity as Executive Chairman since his appointment on 6 August 2015. Under the terms of his agreement, his remuneration is subject to annual review. Under the terms of his existing agreement, his remuneration is \$160,000 (plus superannuation). Under the terms of his agreement, Mr Locke received reimbursements for travel and other expenses related to his employment during the financial year. The executive agreement may be terminated by either party with 3 months' written notice.

Mark Major was appointed as Chief Executive Officer, effective from 14 October 2020. Under the terms of the executive agreement, Mr Major is entitled to receive a base salary of \$220,000 per annum (inclusive of superannuation), which is subject to annual review and mandatory increases in superannuation legislation. The executive agreement may be terminated by either party with 3 months' written notice.

Appointments of non-executive directors Timothy Hogan and David Palumbo are formalised in the form of service agreements between themselves and the Group. Their engagements have no fixed term but cease on their resignation or removal as a director in accordance with the Corporations Act 2001. Mr Hogan is entitled to \$40,000 per annum plus superannuation and Mr Palumbo is entitled to \$66,300 per annum including superannuation.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

#### *Use of Remuneration Consultants*

During the financial year ended 30 June 2023, there was no use of remuneration consultants by the Group.

#### 2. Remuneration policy

The Group's remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and are entitled to the issue of share options.
- Incentive paid in the form of share options are intended to align the interests of directors and Group with those of the shareholders.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Group's shareholders' value. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

## Krakatoa Resources Limited & Controlled Entities

### DIRECTORS' REPORT (CONT.)

Executives are also entitled to participate in the employee share and option arrangements. All remuneration paid to directors and executives is valued at the cost to the Group and expensed, or capitalised to exploration expenditure if appropriate. Options, if given to directors and executives in lieu of remuneration, are valued using the Black-Scholes methodology. The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to directors is \$300,000. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Group and are able to participate in the employee share option plan.

#### 3. Performance-based remuneration

There were no performance-based incentives offered to the board or employees during the financial year. In the financial year ended 30 June 2022, the Board issued CEO Mark Major 5,000,000 incentive options exercisable at \$0.15 expiring on 29 November 2023.

#### *Voting and comments made at the company's 2022 Annual General Meeting ('AGM')*

At the 2022 AGM, 94% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

#### 4. Details of remuneration for the year ended 30 June 2023

The remuneration for each director and key management personnel of the Group during the financial year ended 30 June 2023 and 30 June 2022 was as follows:

2023	Short-term Benefits	Post- employment Benefits	Other Long-term Benefits	Share based Payment		Total	Perfor- mance Related	Value of Options / Rights Re- muneration
Directors and Key Management Person	Cash, salary & commissions	Super- annuation	Other	Shares	Options / Rights		%	%
	\$	\$	\$	\$	\$	\$	%	%
Colin Locke	160,000	16,800	-	-	-	176,800	-	-
Timothy Hogan	40,000	4,200	-	-	-	44,200	-	-
David Palumbo	60,000	6,300	-	-	-	66,300	-	-
Mark Major	200,913	21,096	-	-	-	222,009	-	-
	<b>460,913</b>	<b>48,396</b>	-	-	-	<b>509,309</b>	-	-

**Krakatoa Resources Limited  
& Controlled Entities**

**DIRECTORS' REPORT (CONT.)**

2022	Short-term Benefits	Post- employment Benefits	Other Long-term Benefits	Share based Payment		Total	Perfor- mance Related	Value of Options / Rights Re- muneration
Directors and Key Management Person	Cash, salary & commissions	Super- annuation	Other	Shares	Options			
	\$	\$	\$	\$	\$	\$	%	%
Colin Locke	160,000	16,000	-	-	-	176,000	-	-
Timothy Hogan	40,000	4,000	-	-	-	44,000	-	-
David Palumbo	66,000	-	-	-	-	66,000	-	-
Mark Major	200,913	20,091	-	-	371,704	592,708	-	63
	<b>466,913</b>	<b>40,091</b>	<b>-</b>	<b>-</b>	<b>371,704</b>	<b>878,708</b>	<b>-</b>	<b>63</b>

**5. Equity holdings of key management personnel**

**Shareholdings**

Number of shares held by key management personnel during the financial year ended 30 June 2023 was as follows:

2023	Balance 1.7.2022 No.	Received as Compensation No.	Options Exercised No.	Net Change Other No.	Balance 30.6.2023 No.
<b>Directors and Key Management Person</b>					
Colin Locke	1,129,000	-	-	-	1,129,000
Timothy Hogan	400,000	-	-	-	400,000
David Palumbo	3,601,500	-	-	398,500	4,000,000
Mark Major	-	-	-	-	-
<b>Total</b>	<b>5,130,500</b>	<b>-</b>	<b>-</b>	<b>398,500</b>	<b>5,529,000</b>

**Option holdings**

Number of options held by key management personnel during the financial year ended 30 June 2023 was as follows:

2023	Balance 1.7.2022 No.	Received as Compensation No.	Options Expired No.	Net Change Other No.	Balance 30.6.2023 No.
<b>Directors and Key Management Person</b>					
Colin Locke	4,000,000	-	-	-	4,000,000
Timothy Hogan	3,000,000	-	-	-	3,000,000
David Palumbo	2,100,000	-	-	-	2,100,000
Mark Major	10,000,000	-	-	-	10,000,000
<b>Total</b>	<b>19,100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,100,000</b>

**Krakatoa Resources Limited  
& Controlled Entities**

**DIRECTORS' REPORT (CONT.)**

**Share performance rights**

Number of performance rights held by key management personnel during the financial year ended 30 June 2023 was as follows:

<b>2023</b>	<b>Balance 1.7.2022 No.</b>	<b>Received as Compensation No.</b>	<b>Rights Expired No.</b>	<b>Net Change Other No.</b>	<b>Balance 30.6.2023 No.</b>
<b>Directors and Key Management Person</b>					
Colin Locke	7,500,000	-	-	-	7,500,000
Timothy Hogan	-	-	-	-	-
David Palumbo	-	-	-	-	-
Mark Major	7,500,000	-	-	-	7,500,000
<b>Total</b>	<b>15,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,000,000</b>

**6. Other transactions with key management personnel**

During the year, the Company paid C29 Metals Limited (CEO Mark Major was an Executive Director) for the services of its Exploration Manager, per the Secondment Agreement, signed 18 January 2021.

The Company also received monies from C29 Metals, for the use of its office lease, and Plant and Equipment.

The Company also paid Albion Resources Limited (of which David Palumbo is a Non-Executive Director) for use of its office lease, until the Company took assignment of the lease on 1 March 2023. The Company also received monies from Albion Resources for the secondment of its employee.

The Company received monies from Rubix Resources Limited (of which Colin Locke and David Palumbo are Non-Executive Directors) for use of the Company's office premises.

All transactions were made on normal commercial terms and conditions and at market rates.

	<b>Consolidated 2023 \$</b>	<b>2022 \$</b>
The following transactions occurred with related parties:		
Payments to C29 Metals Limited for secondment services	19,578	-
Monies received from C29 Metals Limited	(3,560)	-
	<u>16,018</u>	-
Payments to Albion Resources Limited for use of its office lease	27,082	-
Receipts from Albion Resources Limited for secondment of employee	(401)	-
	<u>26,681</u>	-
Receipts from Rubix Resources Limited for use of KTA office premises	<u>6,559</u>	-
Current amount payable to Colin Locke at 30 June 2023 for reimbursement of corporate costs	<u>6,317</u>	-

## Krakatoa Resources Limited & Controlled Entities

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There were no other related party transactions during the year ended 30 June 2023 (2022: Nil).

### 7. Equity instruments granted as compensation

There were no equity instruments granted as compensation during the year.

### 8. Group Performance

The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	\$	\$	\$	\$	\$
Sales revenue	-	-	-	-	-
EBITDA	(3,417,968)	(4,314,173)	(3,719,276)	(2,650,603)	(739,390)
EBIT	(3,458,145)	(4,318,516)	(3,719,276)	(2,650,603)	(739,390)
(Loss) after income tax	(3,466,003)	(4,318,516)	(3,719,276)	(2,650,603)	(739,390)

The factors that are considered to affect total shareholder return ('TSR') are summarised below:

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Share price at financial year end (\$)	0.024	0.047	0.048	0.038	0.022
Dividends declared (cents per share)	-	-	-	-	-
Basic loss per share (cents per share)	(1.00)	(1.43)	(1.38)	(1.47)	(0.63)

### End of "Remuneration Report (Audited)"

## Krakatoa Resources Limited & Controlled Entities

### DIRECTORS' REPORT (CONT.)

#### SHARES UNDER OPTION

Unissued ordinary shares of Krakatoa Resources Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
30/11/2020	29/11/2023	\$0.075	15,000,000
15/01/2021	29/11/2023	\$0.075	1,200,000
02/08/2021	29/11/2023	\$0.075	5,000,000
29/04/2022	29/11/2023	\$0.150	<u>5,000,000</u>
			<b><u>26,200,000</u></b>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

#### SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no shares issued under the exercise of options throughout the financial period ended 30 June 2023.

#### MEETINGS OF DIRECTORS

The number of Directors' meetings held during the financial year and the number of meetings attended by each Director are:

Director	Directors' Meetings	
	Number eligible to attend	Number attended
Colin Locke	4	4
Timothy Hogan	4	4
David Palumbo	4	3

#### EVENTS AFTER THE REPORTING PERIOD

On 19 July 2023, the Company issued 63,000,000 fully paid ordinary shares to raise \$2.27m before costs. Further to this on 25 September 2023, the Company announced that 8,521,333 fully paid ordinary shares were issued to raise an additional \$306,768 before costs.

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

#### RISK MANAGEMENT

The Board of Directors review the key risks associated with conducting exploration and evaluation activities in Australia and steps to manage those risks. The key material risks faced by the Group include:

# Krakatoa Resources Limited & Controlled Entities

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## DIRECTORS' REPORT (CONT.)

### Exploration and development

The future value of the Group will depend on its ability to find and develop resources that are economically recoverable. Mineral exploration and development is a speculative undertaking that may be impeded by circumstances and factors beyond the control of the Group. Success in this process involves, among other things; discovery and proving-up an economically recoverable resource or reserve, access to adequate capital throughout the project development phases, securing and maintaining title to mineral exploration projects, obtaining required development consents and approvals and accessing the necessary experienced operational staff, the financial management, skilled contractors, consultants and employees.

The Group is entirely dependent upon its projects, which are the sole potential source of future revenue, and any adverse development affecting these projects would have a material adverse effect on the Group, its business, prospects, results of operations and financial condition.

### Economic Conditions

Factors such as (but not limited to) political movements, stock market fluctuations, interest rates, inflation levels, commodity prices, foreign exchange rates, industrial disruption, taxation changes and legislative or regulatory changes, may all have an adverse impact on operating costs, the value of the Group's projects, the profit margins from any potential development and the Company's share price.

### Reliance on key personnel

The Group's success is to a large extent dependent upon the retention of key personnel and the competencies of its directors, senior management, and personnel. The loss of one or more of the directors or senior management could have an adverse effect on the Group's. There is no assurance that engagement contracts for members of the senior management team personnel will not be terminated or will be renewed on their expiry. If such contracts were terminated, or if members of the senior management team were otherwise no longer able to continue in their role, the Group would need to replace them which may not be possible if suitable candidates are not available.

### Future funding risk

Continued exploration and evaluation is dependent on the Company being able to secure future funding from equity markets. The successful development of a mining project will depend on the capacity to raise funds from equity and debt markets. The Company will need to undertake equity/debt raisings for continued exploration and evaluation. There can be no assurance that such funding will be available on satisfactory terms or at all at the relevant time. Any inability to obtain sufficient financing for the Group's activities and future projects may result in the delay or cancellation of certain activities or projects, which would likely adversely affect the potential growth of the Group.

### Unforeseen expenditure risk

Exploration and evaluation expenditures and development expenditures may increase significantly above existing projected costs. Although the Group is not currently aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Group and its proposed business plans.

# **Krakatoa Resources Limited & Controlled Entities**

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## **DIRECTORS' REPORT (CONT.)**

### **Environmental, weather & climate change**

The highest priority climate related risks include reduced water availability, extreme weather events, changes to legislation and regulation, reputational risk, and technological and market changes. Mining and exploration activities have inherent risks and liabilities associated with safety and damage to the environment, including the disposal of waste products occurring as a result of mineral exploration and production, giving rise to potentially substantial costs for environmental rehabilitation, damage control and losses. Delays in obtaining approvals of additional remediation costs could affect profitable development of resources.

### **Cyber Security and IT**

The Group relies on IT infrastructure and systems and the efficient and uninterrupted operation of core technologies. Systems and operations could be exposed to damage or interruption from system failures, computer viruses, cyber-attacks, power or telecommunication provider's failure or human error.

### **INDEMNITY AND INSURANCE OF AUDITOR**

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

### **ENVIRONMENTAL ISSUES**

The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and State in relation to discharge of hazardous waste and materials arising from any mining activities and development conducted by the Group on any of its tenements. To date there have been no known breaches of any environmental obligations.

### **INDEMNIFYING AND INSURANCE OF OFFICERS**

The Group has entered into deeds of indemnity with each director and the company secretary whereby, to the extent permitted by the Corporations Act 2001, the Group agreed to indemnify each director against all loss and liability incurred as an officer of the Group, including all liability in defending any relevant proceedings.

The Group has paid premiums to insure each of the directors and the company secretary against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Group, other than conduct involving a wilful breach of duty in relation to the Group. The disclosure of the amount of the premium is prohibited by the insurance policy.

### **FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**

Further information, other than as disclosed this report, about likely developments in the operations of the Group and the expected results of those operations in future periods has not been included in this report as disclosure of this information would be likely to result in unreasonable prejudice to the Group.

# Krakatoa Resources Limited & Controlled Entities

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## DIRECTORS' REPORT (CONT.)

### PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

### NON-AUDIT SERVICES

The following fees were paid or payable to the auditor for non-audit services provided during the year ended 30 June 2023:

—	taxation services	\$ 1,000
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The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the non-audit services provided by the auditor do not compromise the auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services provided undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board.

### OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF RSM AUSTRALIA PARTNERS

There are no officers of the Group who are former partners of RSM Australia partners.

### ROUNDING OF AMOUNTS

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

### AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2023 has been received and can be found on the next page of the directors' report.

### AUDITOR

RSM Australia Partners continues in office in accordance with section 327C of the Corporations Act 2001.

**Krakatoa Resources Limited  
& Controlled Entities**

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**DIRECTORS' REPORT (CONT.)**

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Colin Locke', with a horizontal line drawn through it.

Colin Locke  
Executive Chairman  
Dated: 29 September 2023

**RSM Australia Partners**

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2 The Esplanade Perth WA 6000  
GPO Box R1253 Perth WA 6844

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F +61 8 9261 9111

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Krakatoa Resources Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 29 September 2023

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

**Krakatoa Resources Limited  
& Controlled Entities**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023 \$	2022 \$
Other income	2	21,246	51,275
Administration expense	2	(434,541)	(197,300)
Compliance and regulatory expense		(243,937)	(245,064)
Employee benefits expense	2	(306,846)	(397,848)
Exploration expenditure and project evaluation costs		(2,453,096)	(3,020,284)
Depreciation	2	(40,177)	(4,343)
Share based payment expense	14	(8,652)	(504,952)
<b>Loss before income tax expense</b>		<b>(3,466,003)</b>	<b>(4,318,516)</b>
Income tax expense	3	-	-
<b>Loss after income tax for the year</b>		<b>(3,466,003)</b>	<b>(4,318,516)</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive loss for the year</b>		<b>(3,466,003)</b>	<b>(4,318,516)</b>
<b>Loss attributable to members of the parent entity</b>		<b>(3,466,003)</b>	<b>(4,318,516)</b>
Basic and diluted loss per share (cents per share)	4	(1.00)	(1.43)

The accompanying notes form part of these financial statements.

**Krakatoa Resources Limited  
& Controlled Entities**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2023**

	Note	2023 \$	2022 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	951,702	4,220,925
Trade and other receivables	6	48,297	152,632
Other Assets	7	26,262	69,597
<b>TOTAL CURRENT ASSETS</b>		<u>1,026,261</u>	<u>4,443,154</u>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	6	68,000	109,600
Plant and equipment	8	203,356	151,723
Right-of-use assets	9	89,725	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>361,081</u>	<u>261,323</u>
<b>TOTAL ASSETS</b>		<u><b>1,387,342</b></u>	<u><b>4,704,477</b></u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	383,584	833,562
Provisions	11	22,314	44,852
Lease liabilities	9	55,588	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>461,486</u>	<u>878,414</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	9	39,990	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>39,990</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u><b>501,476</b></u>	<u><b>878,414</b></u>
<b>NET ASSETS</b>		<u><b>885,866</b></u>	<u><b>3,826,063</b></u>
<b>EQUITY</b>			
Issued capital	12	22,485,776	21,968,622
Reserves	13	3,301,922	3,293,270
Accumulated losses		<u>(24,901,832)</u>	<u>(21,435,829)</u>
<b>TOTAL EQUITY</b>		<u><b>885,866</b></u>	<u><b>3,826,063</b></u>

The accompanying notes form part of these financial statements.

**Krakatoa Resources Limited  
& Controlled Entities**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	Issued Capital \$	Accumulated Losses \$	Option Premium Reserve \$	Total \$
<b>Balance at 1 July 2021</b>		<b>16,525,965</b>	<b>(17,117,313)</b>	<b>2,794,069</b>	<b>2,202,721</b>
Loss for the year		-	(4,318,516)	-	(4,318,516)
Other comprehensive income		-	-	-	-
<b>Total comprehensive loss</b>		<b>-</b>	<b>(4,318,516)</b>	<b>-</b>	<b>(4,318,516)</b>
<i>Transactions with owner directly recorded in equity</i>					
Shares issued during the year	12	5,787,996	-	-	5,787,996
Less: transaction costs arising from issue of shares	12	(345,339)	-	-	(345,339)
Options issued during the year		-	-	499,201	499,201
<b>Balance at 30 June 2022</b>		<b>21,968,622</b>	<b>(21,435,829)</b>	<b>3,293,270</b>	<b>3,826,063</b>
<b>Balance at 1 July 2022</b>		<b>21,968,622</b>	<b>(21,435,829)</b>	<b>3,293,270</b>	<b>3,826,063</b>
Loss for the year		-	(3,466,003)	-	(3,466,003)
Other comprehensive income		-	-	-	-
<b>Total comprehensive loss</b>		<b>-</b>	<b>(3,466,003)</b>	<b>-</b>	<b>(3,466,003)</b>
<i>Transactions with owner directly recorded in equity</i>					
Shares issued during the year	12	560,000	-	-	560,000
Less: transaction costs arising from issue of shares	12	(42,846)	-	-	(42,846)
Share based payments	14	-	-	8,652	8,652
<b>Balance at 30 June 2023</b>		<b>22,485,776</b>	<b>(24,901,832)</b>	<b>3,301,922</b>	<b>885,866</b>

The accompanying notes form part of these financial statements.

**Krakatoa Resources Limited  
& Controlled Entities**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	2023 \$	2022 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest income		216	-
Other income		21,030	51,275
Payments to suppliers and employees		(834,060)	(871,222)
Payment for exploration and evaluation expenditure and project evaluation costs		(2,873,895)	(2,581,660)
Lease interest repaid		(7,858)	-
<b>Net cash used in operating activities</b>	15	<u>(3,694,567)</u>	<u>(3,401,607)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for plant and equipment		(78,351)	(156,066)
<b>Net cash used in investing activities</b>		<u>(78,351)</u>	<u>(156,066)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares and options		560,000	5,782,246
Payment of transaction costs associated with capital raising		(42,846)	(345,339)
Lease repayments		(13,459)	-
<b>Net cash provided by financing activities</b>		<u>503,695</u>	<u>5,436,907</u>
Net (decrease)/increase in cash held		(3,269,223)	1,879,234
<b>Cash at beginning of financial year</b>		<u>4,220,925</u>	<u>2,341,691</u>
<b>Cash at end of financial year</b>	5	<u><b>951,702</b></u>	<u><b>4,220,925</b></u>

The accompanying notes form part of these financial statements.

# Krakatoa Resources Limited & Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements and notes represent those of Krakatoa Resources Limited (the "Company") and its controlled entities (the "Group" or "consolidated entity"). Krakatoa Resources Limited is a listed public Company, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 29 September 2023 by the directors.

#### **Basis of Preparation**

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

All amounts are presented in Australian dollars unless otherwise stated.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1 (s).

#### *Significant accounting policies*

Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

#### **Rounding of amounts**

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest nearest dollar.

#### **New or amended Accounting Standards and Interpretations adopted**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australia Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that not yet mandatory have not been early adopted.

# Krakatoa Resources Limited & Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### Accounting Policies

##### a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries).

Income and expense of subsidiaries acquired or disposed of during the year are included in profit or loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

##### *Parent entity information*

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 23.

##### b) Income Tax

The income tax expense (revenue) for the period comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well unused tax losses. Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

# Krakatoa Resources Limited

## & Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### **c) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure, including the costs of acquiring tenements, are expensed as incurred. Expensing exploration and evaluation expenditure as incurred is irrespective of whether or not the Board believe expenditure could be recouped from either a successful development and commercial exploitation or sale of the respective assets.

#### **d) Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

# Krakatoa Resources Limited & Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### *Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

#### *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

#### *Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

#### **e) Foreign Currencies**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('\$'), which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

# Krakatoa Resources Limited

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e., partial disposals of associates or jointly controlled entities that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

#### **f) Impairment of Assets**

At the end of each reporting date, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed.

Impairment testing is performed annually for intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### **g) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**h) Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST”).

**i) Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**j) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**k) Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off.

**l) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group before the end of the financial period and which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

**m) Employee Benefits**

Provision is made for the Group’s obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group’s obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group’s obligations for employees’ annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

*Defined contribution superannuation expense*

Contributions to defined contributions superannuation plans are in the period in which they are incurred.

*Share-based payments*

The consolidated entity operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account.

# Krakatoa Resources Limited & Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Share based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the good or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is shown in the option reserve.

The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using an appropriate valuation model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

#### **n) Issued capital**

Ordinary shares are classified as equity. Costs directly attributable to the issue of shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

#### **o) Earnings per share**

##### *Basic earnings per share*

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### **p) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### **q) Property, Plant and Equipment**

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

# Krakatoa Resources Limited & Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	2-10 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

#### **r) Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

#### **s) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

#### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a valuation model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

**Krakatoa Resources Limited  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**t) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

**u) Leases**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**Krakatoa Resources Limited  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 2: OTHER INCOME AND EXPENSES</b>		
<i>Other income</i>		
Interest income	216	-
Other Income	21,030	51,275
	21,246	51,275
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Administration expense</i>		
Short-term lease payments	21,686	3,741
Bank charges	1,447	448
Interest charges paid/payable on lease liabilities	7,858	-
Net foreign exchange loss	656	4,406
Other administrative expenses	402,894	188,705
	434,541	197,300
<i>Employee benefits expense</i>		
Salaries and directors' fees	229,512	368,963
Defined contribution superannuation expense	77,334	28,885
	306,846	397,848
<i>Depreciation</i>		
Plant and equipment	26,718	4,343
Office lease right-of-use assets	13,459	-
	40,177	4,343
<b>NOTE 3: INCOME TAX EXPENSE</b>		
<b>a. Reconciliation of income tax expense to prima facie tax payable:</b>		
Loss from ordinary activities before income tax expense	(3,466,003)	(4,318,516)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2022: 30%)	(1,039,801)	(1,295,555)
Increase/(decrease) in income tax due to:		
- Capital raising costs	(56,166)	(55,327)
- Losses and temporary differences not recognised	1,095,967	1,350,882
Income tax attributable to the Group	-	-
<b>b. Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 30% (2022: 30%):</b>		
<b>Deferred tax assets have not been recognised in respect of the following:</b>		
Tax revenue losses	21,936,128	18,318,021

**Krakatoa Resources Limited  
& Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**NOTE 3: INCOME TAX EXPENSE (CONT.)**

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2023 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss and exploration expenditure.

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 4: EARNINGS PER SHARE</b>		
Loss used to calculate basic EPS	(3,466,003)	(4,318,516)
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the period used in calculating basic and diluted EPS	347,940,686	302,004,725
	<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share	(1.00)	(1.43)
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>

**NOTE 5: CASH AND CASH EQUIVALENTS**

Cash at bank	951,702	4,220,925
	951,702	4,220,925

**NOTE 6: TRADE AND OTHER RECEIVABLES**

<i>Current</i>		
GST receivable	48,297	152,632
	48,297	152,632
<i>Non-Current</i>		
Other receivables	68,000	109,600
	68,000	109,600

*Allowance for expected credit losses*

The consolidated entity has not recognised a loss in respect of the expected credit losses for the year ended 30 June 2023.

**Krakatoa Resources Limited  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

<b>NOTE 7: OTHER ASSETS</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Other Assets	26,262	69,597
	<u>26,262</u>	<u>69,597</u>

**NOTE 8: PLANT AND EQUIPMENT**

Equipment at cost	234,416	156,066
Equipment – accumulated depreciation	(31,060)	(4,343)
	<u>203,356</u>	<u>151,723</u>

**Equipment**

Balance at the beginning of the year	151,723	-
Additions	78,351	156,066
Disposals	-	-
Depreciation	(26,718)	(4,343)
Balance at the end of the year	<u>203,356</u>	<u>151,723</u>

**NOTE 9: RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

**a. Right-of-use assets**

Office lease at Cost	103,184	-
Office lease – accumulated depreciation	(13,459)	-
	<u>89,725</u>	<u>-</u>

**Office lease**

Balance at the beginning of the year	-	-
Additions	103,184	-
Depreciation	(13,459)	-
Balance at the end of the year	<u>89,725</u>	<u>-</u>

**b. Lease Liabilities**

Office Lease	<u>95,578</u>	<u>-</u>
Current	55,588	-
Non-Current	39,990	-
Total	<u>95,578</u>	<u>-</u>

Effective 1 March 2023, the Company signed an agreement with Albion Resources Limited to transfer their existing lease to Krakatoa for shared office premises at Level 4, 172 St Georges Terrace, Perth WA 6000, that Albion no longer utilises. There was 2 years left on the term.

**NOTE 10: TRADE AND OTHER PAYABLES**

Trade payables and accrued expenses	383,584	833,562
	<u>383,584</u>	<u>833,562</u>

Trade creditors, excluding related party payables, are expected to be paid on 30-day terms.

**Krakatoa Resources Limited  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

<b>NOTE 11: PROVISIONS</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Employee benefits	22,314	44,852
	22,314	44,852

*Amounts not expected to be settled within the next 12 months*

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

**NOTE 12: ISSUED CAPITAL**

	<b>2023</b>	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>No.</b>	<b>\$</b>	<b>No.</b>	<b>\$</b>
Fully paid ordinary shares with no par value	363,376,584	22,485,776	344,709,917	21,968,622
<b>a) Ordinary shares</b>				
At the beginning of reporting period	344,709,917	21,968,622	278,950,000	16,525,965
<b>Shares issued during the year:</b>				
- 13 July 2021 – Option conversion (refer note 13b(i))	-	-	702,200	35,110
- 22 July 2021 – Option conversion (refer note 13b(i))	-	-	4,111,777	205,589
- 29 July 2021 – Option conversion (refer note 13b(i))	-	-	6,870,922	343,546
- 3 August 2021 – Option conversion (refer note 13b(i))	-	-	4,075,018	203,751
- 29 April 2022 (i)	-	-	50,000,000	5,000,000
- 28 April 2023 (ii)	18,666,667	560,000	-	-
Less capital raising costs	-	(42,846)	-	(345,339)
Net share capital	363,376,584	22,485,776	344,709,917	21,968,622

(i) 50,000,000 shares were issued on 29 April 2022 at an issue price of \$0.10 per share raising \$5,000,000 in cash before costs.

(ii) 18,666,667 shares were issued on 28 April 2023 at an issue price of \$0.03 per share to raise \$560,000 before costs.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**Krakatoa Resources Limited  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**NOTE 12: ISSUED CAPITAL (CONT.)**

*Share buy-back*

There is no current on-market share buy-back.

**b) Capital risk management**

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. The Group's capital includes ordinary share capital and financial liabilities, supported by financial assets.

Due to the nature of the Group's activities, being mineral exploration, it does not have ready access to credit facilities, with the primary source of funding being equity raisings. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The Group is not subject to any externally imposed capital requirements.

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

	<b>2023</b>	<b>2022</b>
	\$	\$
Cash and cash equivalents	951,702	4,220,925
Trade and other receivables	48,297	152,632
Other assets	26,262	68,597
Trade and other payables	(383,584)	(833,562)
Provisions	(22,314)	(44,852)
Lease Liabilities	(55,588)	-
	<hr/>	<hr/>
Working capital position	<u>564,775</u>	<u>3,563,740</u>

**Krakatoa Resources Limited  
& Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**NOTE 13: RESERVES**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Share based payment reserve</b>	3,301,922	3,293,270
<b>(b) Movement in share-based payment reserve</b>	<i>No.</i>	<b>\$</b>
<b>Balance at 1 July 2021</b>	<b>119,000,000</b>	<b>2,794,069</b>
Options exercised during period – 13 July 2021 (i)	(702,200)	-
Options exercised during period – 22 July 2021 (i)	(4,111,777)	-
Options exercised during period – 29 July 2021 (i)	(6,870,922)	-
Options exercised during period – 3 August 2021 (i)	(4,075,018)	-
Options lapsed during the period (ii)	(67,040,083)	-
Options lapsed during the period (ii)	(5,000,000)	-
Amounts received for exercise prior to 30 June 2021	-	(5,751)
Corporate advisory options issued (Note 14a)	5,000,000	105,000
Employees options (Note 14a)	-	28,248
KMP Performance rights (Note 14b)	-	82,182
KMP Options issued – 29 April 2022 (iii)	5,000,000	289,522
<b>Balance at 30 June 2022</b>	<b>41,200,000</b>	<b>3,293,270</b>
<b>Balance at 1 July 2022</b>	<b>41,200,000</b>	<b>3,293,270</b>
Options vested during the period	-	8,652
<b>Balance at 30 June 2023</b>	<b>41,200,000</b>	<b>3,301,922</b>

- (i) A total of 15,759,917 listed options with an exercise price of \$0.05 were exercised during the period. Refer note 12.
- (ii) On 31 July 2021, 67,040,083 listed options exercisable at \$0.05 per share and 5,000,000 unlisted options exercisable at \$0.075 per share expired unexercised.
- (iii) On 29 April 2022, 5,000,000 unlisted options exercisable at \$0.15 on or before 29 November 2023 were issued to CEO Mark Major.

**NOTE 14: SHARE BASED PAYMENTS**

Below is a summary of share-based payments made by the group:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
KMP options	-	289,522
Employee options	8,652	28,248
Corporate advisory options	-	105,000
KMP performance rights	-	82,182
	<b>8,652</b>	<b>504,952</b>

**Krakatoa Resources Limited  
& Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**a) Options**

There were no options issued during the financial year ended 30 June 2023. Options issued in the previous financial year, which are still on issue have been disclosed below.

<b>Class</b>	<b>Number of Instruments</b>	<b>Grant Date</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Fair value per instrument \$</b>	<b>Total Value \$</b>
Employee Options <sup>1</sup>	1,200,000	15/01/2021	29/11/2023	\$0.075	0.045	54,336
Corporate Advisory Options <sup>2</sup>	5,000,000	02/08/2021	29/11/2023	\$0.075	0.021	105,000
CEO Options <sup>3</sup>	5,000,000	21/04/2022	29/11/2023	\$0.15	\$0.058	289,522

<sup>1</sup> Options were issued to employees in tranches of 500,000 (tranche 1) and 700,000 (tranche 2) on 21 January 2021. Service conditions associated with the employment agreement were completed on 15 January 2022 (tranche 1 – fully vested during previous reporting period) and on 15 January 2023 (tranche 2 – fully vested in current reporting period). At the balance date 30 June 2023, a total of \$8,652 (2022: \$28,248) vested during the current reporting period.

<sup>2</sup> Options were issued to unrelated parties for corporate advisory services on 2 August 2021 with an exercisable price of \$0.075 and an expiry of 29 November 2023. Options were recognised in full on the grant date, as there were no attached vesting conditions.

<sup>3</sup> Options were issued to CEO Mark Major for improved share price performance based on exploration work performed at Mt Clere rare earth project. Options were issued on 29 April 2022 with an exercisable price of \$0.015 and an expiry of 29 November 2023. Options were recognised in full on the grant date, as there were no attached vesting conditions.

Set out below is a summary of options on issue by the Group:

**2023**

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Balance at the Start of the year</b>	<b>Granted</b>	<b>Exercised</b>	<b>Forfeited Other/Expired</b>	<b>Balance at the end of the period</b>
30/11/2020	29/11/2023	0.075	15,000,000	-	-	-	15,000,000
15/01/2021	29/11/2023	0.075	1,200,000	-	-	-	1,200,000
2/08/2021	29/11/2023	0.075	5,000,000	-	-	-	5,000,000
29/04/2022	29/11/2023	0.15	5,000,000	-	-	-	5,000,000
			<b>26,200,000</b>	-	-	-	<b>26,200,000</b>
weighted average exercise price			0.09	-	-	-	0.09

**Krakatoa Resources Limited  
& Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**2022**

Grant Date	Expiry Date	Exercise Price	Balance at the Start of the year	Granted	Exercised	Forfeited Other/Expired	Balance at the end of the period
16/08/2019	31/07/2021	0.05	72,800,000	-	(15,759,917)	(57,040,083)	-
28/11/2019	31/07/2021	0.05	10,000,000	-	-	(10,000,000)	-
28/11/2019	31/07/2021	0.075	5,000,000	-	-	(5,000,000)	-
30/11/2020	29/11/2023	0.075	15,000,000	-	-	-	15,000,000
15/01/2021	29/11/2023	0.075	1,200,000	-	-	-	1,200,000
2/08/2021	29/11/2023	0.075	-	5,000,000	-	-	5,000,000
29/04/2022	29/11/2023	0.15	-	5,000,000	-	-	5,000,000
			<b>104,000,000</b>	<b>10,000,000</b>	<b>(15,759,917)</b>	<b>(72,040,083)</b>	<b>26,200,000</b>

weighted average exercise price	0.06	0.11	0.05	0.05	0.09
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**b) Performance Rights**

On 30 November 2020, the Group issued 7,500,000 Performance Rights to the Group's CEO, Mark Major which vested on a pro-rata basis 12 months after his employment commenced which was on 14 October 2021. These Performance Rights vested in full during the 30 June 2022 (2022: \$82,182 in value vested) financial period and expire on 29 November 2023.

On 30 November 2020, the Group issued and 7,500,000 Performance Rights to Executive Chairman Colin Locke following shareholder approval at the Group's AGM. These Performance Rights were recognised in full during the 30 June 2021 financial period and expiring on 29 November 2023.

<b>2023</b>	<b>2022</b>
\$	\$

**NOTE 15: RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH LOSS AFTER INCOME TAX**

Loss after income tax	(3,466,003)	(4,318,516)
Non-cash-flows in loss:		
Share based payments	8,652	504,952
Depreciation expense	40,177	4,343
Changes in assets and liabilities:		
Trade and other receivables	145,935	(94,675)
Other assets	43,335	(114,593)
Trade payables and accruals	(444,125)	588,734
Provisions	(22,538)	28,148
Cash flow used in operations	<u>(3,694,567)</u>	<u>(3,401,607)</u>

**Krakatoa Resources Limited  
& Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**Non-Cash Investing & Financing Activities:**

There were no non-cash investing entered into by the Group during the year (2022: Nil).

**NOTE 16: REMUNERATION OF AUDITORS**

	<b>2023</b>	<b>2022</b>
	\$	\$
<i>Audit Services – RSM Australia Partners</i>		
Audit and review of the financial statements	37,750	35,000
<i>Other services – RSM Australia Pty Ltd</i>		
Preparation of tax return	1,000	1,050
	38,750	36,050

**NOTE 17: KEY MANAGEMENT PERSONNEL COMPENSATION**

**Remuneration of Key Management Personnel**

The totals of remuneration paid to the KMP of the Group during the year are as follows:

	<b>2023</b>	<b>2022</b>
	\$	\$
Short-term employee benefits	460,913	466,913
Post-employment benefits	48,396	40,091
Share based payments	-	371,704
Total remuneration	509,309	878,708

**NOTE 18: RELATED PARTY TRANSACTIONS**

During the year, the Company paid C29 Metals Limited (CEO Mark Major was an Executive Director) for the services of its Exploration Manager, per the Secondment Agreement, signed 18 January 2021. The Company also receipted monies from C29 Metals, for the use of its office lease, and Plant and Equipment.

The Company also paid Albion Resources Limited (of which David Palumbo is a Non-Executive Director) for use of its office lease, until the Company took assignment of the lease on 1 March 2023. The Company also receipted monies from Albion Resources for the secondment of its employee.

The Company receipted monies from Rubix Resources Limited (of which Colin Locke and David Palumbo are Non-Executive Directors) for use of the Company's office premises.

All transactions were made on normal commercial terms and conditions and at market rates.

**Krakatoa Resources Limited  
& Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
The following transactions occurred with related parties:		
Payments to C29 Metals Limited for secondment services	19,578	-
Monies received from C29 Metals Limited	(3,560)	-
	16,018	-
Payments to Albion Resources Limited for use of its office lease	27,082	-
Receipts from Albion Resources Limited for secondment of employee	(401)	-
	26,681	-
Receipts from Rubix Resources Limited for use of KTA office premises	6,559	-
Current amount payable to Colin Locke at 30 June 2023 for reimbursement of corporate costs	6,317	-

There were no other related party transactions during the year ended 30 June 2023 (2022: Nil).

**NOTE 19: CONTINGENT LIABILITIES**

The Group has given bank guarantees at 30 June 2023 of \$15,132 in relation to the office lease (2022: Nil).

**NOTE 20: EVENTS AFTER THE REPORTING PERIOD**

On 19 July 2023, the Company issued 63,000,000 fully paid ordinary shares to raise \$2.27m before costs. Further to this on 25 September 2023, the Company announced that 8,521,333 fully paid ordinary shares were issued to raise an additional \$306,768 before costs.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

**NOTE 21: COMMITMENTS**

In order to maintain current rights of tenure to Western Australia exploration tenements, the Group is required to perform minimum exploration requirements specified by the Department of Mines and Petroleum of \$875,440 (2022: \$830,440).

In order to maintain current rights of tenure to the New South Wales exploration tenements, the Group is required to perform minimum exploration requirements specified by the NSW Resources Regulator of \$146,660 (2022: \$146,660).

The Group has no other commitments.

**Krakatoa Resources Limited  
& Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**NOTE 22: CONTROLLED ENTITIES**

	Country of Incorporation	Equity Holding	Equity Holding
		2023	2022
		%	%
Subsidiaries of Krakatoa Resources Ltd:			
Krakatoa Australia Pty Ltd	Australia	100	100
Krakatoa Minerals Pty Ltd	Australia	100	100
Krakatoa Minerals – SMC Limited	Uganda	100	100
2634501 Ontario Limited	Canada	100	100

**NOTE 23: PARENT ENTITY DISCLOSURES**

**Financial position**

	2023	2022
	\$	\$
Assets		
Current assets	1,022,293	4,423,734
Non-current assets	293,081	151,723
Total assets	1,315,374	4,575,457
Liabilities		
Current liabilities	449,770	846,020
Non-current liabilities	39,990	-
Total liabilities	489,760	846,020
Equity		
Issued capital	22,485,776	21,968,622
Accumulated losses	(24,962,084)	(21,532,455)
Reserves	3,301,922	3,293,270
Total equity	825,614	3,729,437

**Financial performance**

	2023	2022
	\$	\$
(Loss) for the year	(3,429,629)	(4,413,533)
Total comprehensive (loss) for the year	(3,429,629)	(4,413,533)

**Guarantees and Contingencies:**

Krakatoa Resources Limited entered into a bank guarantees in relation to its office lease (refer to Note 19 (2022: Nil)). The Company has not entered into any other guarantees in the current or previous financial year.

**Other Commitments:**

Krakatoa Resources Limited has no commitment to acquire property, plant and equipment (Note19).

# Krakatoa Resources Limited

## & Controlled Entities

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

#### NOTE 24: OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the phase of operation within the mining industry. For management purposes, the Group has organised its operations into two reportable segments on the basis of stage of development as follows:

- Development assets; and
- Exploration and evaluation assets, which includes assets that are associated with the determination and assessment of the existence of commercial economic reserves.

The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

During the year ended 30 June 2023, the Group had no development assets. The Board considers that it has only operated in one segment, being mineral exploration.

The Group is domiciled in Australia. All revenue from external customers are only generated from Australia. No revenues were derived from a single external customer.

#### NOTE 25: FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

##### **Credit risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions is spread amongst approved counterparties.

**Krakatoa Resources Limited  
& Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

**NOTE 25: FINANCIAL RISK MANAGEMENT (CONT.)**

**Credit risk (cont.)**

Credit risk related to balances with banks and other financial institutions is managed by the board. The board's policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-. All of the Group's surplus funds are invested with AA Rated financial institutions.

The credit risk for counterparties included in cash and cash equivalents at 30 June 2023 is detailed below:

	<b>2023</b>	<b>2022</b>
	\$	\$
<b>Financial assets:</b>		
Cash and cash equivalents		
- AA rated counterparties	951,702	4,220,925

The Group does not have any material credit risk exposure to any single receivable or Group of receivables under financial instruments entered into by the Group.

**Liquidity risk**

The responsibility with liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate working capital is maintained. The Group's policy is to ensure that it has sufficient cash reserves to carry out its planned exploration activities over the next 12 months.

*Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
<b>Consolidated - 2023</b>	%	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	383,584	-	-	-	383,584
<i>Interest-bearing - fixed rate</i>						
Lease liability	5.40%	55,588	39,990	-	-	95,578
<b>Total non-derivatives</b>		<b>439,172</b>	<b>39,990</b>	-	-	<b>479,162</b>

**Krakatoa Resources Limited  
& Controlled Entities**

**NOTE 25: FINANCIAL RISK MANAGEMENT (CONT.)**

**Liquidity risk (Cont.)**

*Remaining contractual maturities (cont.)*

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
<b>Consolidated - 2022</b>	%	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	833,562	-	-	-	833,562
<b>Total non-derivatives</b>		<b>833,562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>833,562</b>

**Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

**Interest rate risk**

The Group does not have any exposure to interest rate risk as there were no external borrowings at 30 June 2023 (2022: Nil). Interest bearing assets are all short-term liquid assets and the only interest rate risk is the effect on interest income by movements in the interest rate. There is no other material interest rate risk.

**NOTE 26: DIVIDENDS**

There were no dividends declared or paid by the Company during the year, and no dividend is recommended (2022: nil).

# Krakatoa Resources Limited & Controlled Entities

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## DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Board



Colin Locke  
Executive Chairman  
Dated: 29 September 2023

**RSM Australia Partners**

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
KRAKATOA RESOURCES LIMITED**

**Opinion**

We have audited the financial report of Krakatoa Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
<b>Exploration expenditure and project evaluation costs</b> Refer to consolidated statement of profit or loss and other comprehensive income	
<p>The Group incurred exploration expenditure and project evaluation costs of \$2,453,096 during the year ended 30 June 2023. In accordance with its accounting policy, the Group expenses these costs as incurred.</p> <p>We considered this to be a key audit matter because it is the Group's most significant item in the statement of profit or loss and other comprehensive income.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> <li>Assessing whether the Group's accounting policy for exploration expenditure and project evaluation costs is in compliance with Australia Accounting Standards;</li> <li>Obtaining evidence that the right to tenure of the exploration areas of interests are valid; and</li> <li>On a sample basis, agreeing exploration expenditure and project evaluation costs to supporting documentation.</li> </ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Krakatoa Resources Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature of Tutu Phong in black ink, consisting of the letters 'RSM' in a stylized, cursive font.

RSM AUSTRALIA PARTNERS

A handwritten signature of Tutu Phong in black ink, consisting of a stylized, cursive signature.

TUTU PHONG  
Partner

Perth, WA  
Dated: 29 September 2023

**Krakatoa Resources Limited  
& Controlled Entities**

**ASX INFORMATION  
AS AT 27 SEPTEMBER 2023**

The following additional information is required by the ASX Limited in respect of listed public companies and was applicable at 27 September 2023.

**1. Shareholder and Option holder information**

a. Number of Shareholders and Option Holders

*Shares*

As at 27 September 2023, there were 2,185 shareholders holding a total of 434,897,917 fully paid ordinary shares.

*Options*

As at 27 September 2023, there were 21,200,000 Unquoted Options exercisable at \$0.075 on or before 29 November 2023 held by 8 holders, and 5,000,000 Unquoted Options exercisable at \$0.15 on or before 29 November 2023 held by 1 holder.

*Share Performance Rights*

As at 27 September 2023, there were 5,000,000 Unquoted Share Performance Rights exercisable at \$0.20, 5,000,000 Unquoted Share Performance Rights exercisable at \$0.30, and 5,000,000 Unquoted Share Performance Rights exercisable at \$0.40 held by 2 holders. All Performance Rights expire on 29 November 2023.

b. Distribution of Equity Securities

Fully paid ordinary shares Category (size of holding)	Number (as at 27 September 2023)	
	Shareholders	Ordinary Shares
1 – 1,000	95	9,457
1,001 – 5,000	50	208,730
5,001 – 10,000	292	2,544,421
10,001 – 100,000	1176	50,366,784
100,001 – and over	572	381,768,525
	2,185	434,897,917

The number of shareholdings held in less than marketable parcels is 857 shareholders amounting to 9,741,279 shares.

c. The names of substantial shareholders listed in the company's register as at 27 September 2023 are:

Shareholder	Ordinary Shares	%Held of Total Ordinary Shares
Lafras Luitingh	37,551,547	8.63%
Helmsdale Investments Pty Ltd	25,545,834	5.87%

**Krakatoa Resources Limited  
& Controlled Entities**

d. Voting Rights

The voting rights attached to the ordinary shares are as follows:

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. 20 Largest Shareholders as at 27 September 2023 — Ordinary Shares

		<b>Number of Ordinary Fully Paid Shares Held</b>	<b>% Held of Issued Ordinary Capital</b>
1	MR LAFRAS LUITINGH	37,551,547	8.63
2	HELMSDALE INVESTMENTS PTY LTD	25,545,834	5.87
3	MS CHUNYAN NIU	16,631,048	3.82
4	PETERS INVESTMENTS PTY LTD	16,195,000	3.72
5	CITICORP NOMINEES PTY LIMITED	7,909,610	1.82
6	SUNSEEKER ENTERPRISES PTY LTD <THE MARANO FAMILY A/C>	4,600,000	1.06
7	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,091,102	0.94
8	CELTIC CAPITAL PTY LTD	3,966,667	0.91
9	MRS MEILY DAHLIA EVIANA	3,750,000	0.86
10	KEBIN NOMINEES PTY LTD	3,699,118	0.85
11	PROF YEW KWANG NG	3,500,000	0.80
12	SANCOAST PTY LTD	3,500,000	0.80
13	MR FRANK JOHN WILLIAM GRAHAM	3,000,000	0.69
14	MR TIMOTHY DONALD WAINWRIGHT	3,000,000	0.69
15	MR GRAHAM GEOFFREY WALKER	2,800,000	0.64
15	MR PETER MURRAY HOFFMAN	2,653,212	0.61
15	MR DAMIEN MICHAEL ANTHONY TRINDER	2,622,864	0.60
18	MR GURUMURTHY NIDIGAL + MRS PURNIMA NIDIGAL <SRI RAM SUPER FUND A/C>	2,500,000	0.57
19	MR SHOZHUI ZHANG	2,500,000	0.57
20	DR ZACHARY PATRICK O'BRIEN	2,415,488	0.56
		<b>152,431,490</b>	<b>35.05</b>

2. The name of the company secretary is David Palumbo.

3. The address of the principal registered office in Australia is:  
Level 8, 216 St Georges Terrace Perth WA 6000

4. Registers of securities are held at the following address:  
Computershare Investor Services Pty Ltd, Level 17, 221 St Georges Terrace, Perth WA 6000

**Krakatoa Resources Limited  
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5. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the ASX Limited.

**Krakatoa Resources Limited  
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**SCHEDULE OF MINERAL TENEMENTS  
AS AT 27 SEPTEMBER 2023**

<i>Project</i>	<i>Tenement</i>	<i>Interest held by Krakatoa Resources Limited</i>
Belgravia	EL8153	100%
Turon	EL8942	100%
Rand	EL9000	100%
Rand	EL9276	100%
Rand	EL9277	100%
Rand	EL9366	100%
Mt Clere	E09/2357	100%
Mt Clere	E52/3730	100%
Mt Clere	E52/3731	100%
Mt Clere	E52/3836	100%
Mt Clere	E52/3873	100%
Mt Clere	E52/3876	100%
Mt Clere	E52/3877	100%
Mt Clere	E51/1994	100%
Mt Clere	E52/3938	100%
Mt Clere	E52/3962	100%
Mt Clere	E52/3972	100%
Mac Well	E59/2175	100%
King Tamba	P59/2082	100%
King Tamba	P59/2140	100%
King Tamba	P59/2141	100%
King Tamba	P59/2142	100%
King Tamba	E59/2389	100%
King Tamba	E59/2503	-

All tenements not indicated as 100% owned are under application.