



31 January 2017

December 2016 Quarterly Activities Report

Krakatoa Resources Limited (ASX: **KTA**) ("**Krakatoa**" or the "**Company**") is pleased to provide the following summary of activities conducted in the December 2016 quarter.

Clean Energy Opportunities

On 6 September 2016, Krakatoa entered into a trading halt pending the release of a capital raising announcement and subsequent suspension on 8 September 2016 pending the outcome of submissions to ASX regarding chapter 11 of the ASX Listing Rules. The need for Krakatoa to provide submissions arose out of the potential acquisition of clean energy opportunities under consideration by the Company and its partner United Mining Group (UMG).

Ultimately, these potential acquisitions which the Company intended to pursue due diligence and enter into a competitive bid process were considered transactions which ASX would apply Listing Rules 11.1.2 and 11.1.3 to. Additionally, any proposed capital raise was deemed to constitute a pre-emptive raising as set out in section 3.4 of ASX Guidance Note 12.

This outcome presented the Board with two options:

- (a) to not pursue the potential acquisitions and seek reinstatement of trading in the Company's securities on ASX; or
- (b) remain suspended and pursue the potential acquisitions through competitive bidding processes and recommit with Chapters 1 and 2 of the Listing Rules if successful.

The Krakatoa board unanimously agreed that it was in the best interests of shareholders to firmly pursue option (b).

Capital Raising

As previously announced, the Company undertook a capital raising in October 2016 amounting to \$1.38m, and in December 2016, raised a further \$0.5m to supplement working capital and be applied towards administration costs and due diligence (including external professional advisers) in relation to the potential acquisition of clean energy opportunities.

The Board wishes to thank existing and new shareholders for their support in the capital raise, which has made the completion of due diligence and submissions on the potential acquisitions possible.

Submissions

During the quarter, Krakatoa with its partner UMG and corporate adviser Azure Capital, submitted a bid for a remnant coal asset and associated rehabilitation works and an expression of interest for another remnant coal asset and associated rehabilitation works.

Currently, there is no certainty as to whether the Company will be partly or fully successful in these submissions. The Company will update shareholders of any material developments as they occur.

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Dalgaranga Project (Ta-Li-Sn)

No work was completed on the Dalgaranga Project during the December 2016 quarter.

Mac Well Project (Beryl-Li-Ni)

During the December 2016 quarter, the Mac Well exploration licence was granted. No work was completed on the Mac Well Project during the December 2016 quarter.

BCS Tenement (Iron-Ore)

No work was completed on the BCS Tenement during the December 2016 quarter.

ASX Listing Rule 5.3.3 - Details of Tenements Held at 31 December 2016

Project	Tenement Licence	Interest held at 30 September 2016	Interest acquired/disposed	Interest held at 31 December 2016
Dalgaranga	P59/2082	100%	-	100%
Mac Well	E59/2175	-	100%	100%
BCS	IUP No.540/23/IUP/DESDM/BUP-2010	99.8%	-	99.8%

Yours faithfully,

Colin Locke
Executive Chairman