



And Controlled Entities

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Interim Financial Report  
For the Half-Year Ended December 2016

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**KRAKATOA RESOURCES LIMITED  
AND CONTROLLED ENTITIES**

**INTERIM FINANCIAL REPORT**  
**For the Half-Year Ended 31 December 2016**

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**KRAKATOA RESOURCES LIMITED  
AND CONTROLLED ENTITIES**

**COMPANY DIRECTORY**

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**EXECUTIVE CHAIRMAN**

Colin Locke

**NON-EXECUTIVE DIRECTORS**

Timothy Hogan

Aryo Bimo

**COMPANY SECRETARY**

David Palumbo

**REGISTERED OFFICE**

Level 11, 216 St Georges Terrace

PERTH WA 6000

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**AUDITORS**

RSM Australia Partners

8 St Georges Terrace

PERTH WA 6000

**SHARE REGISTRAR**

Computershare Investor Services Pty Ltd

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**STOCK EXCHANGE CODE**

KTA

**KRAKATOA RESOURCES LIMITED  
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

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Your directors submit the financial report of the Krakatoa Resources Limited and controlled entities (referred to hereafter as “the Consolidated Entity”) for the half-year ended 31 December 2016.

**DIRECTORS**

The names of Directors who held office during or since the end of the half-year are:

Colin Locke	Executive Chairman
Timothy Hogan	Non-Executive Director
Aryo Bimo	Non-Executive Director

**PRINCIPAL ACTIVITIES**

The principal activities of the Consolidated Entity during the financial period was exploration for minerals and evaluation of clean energy opportunities for acquisition.

**RESULTS**

The loss after tax for the half-year ended 31 December 2016 was \$1,260,422 (2015: \$706,354).

**REVIEW OF OPERATIONS**

Clean energy Opportunities

On 6 September 2016, Krakatoa Resources Limited (“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 to which ASX would apply Listing Rules 11.1.2 and 11.1.3.

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 re-comply 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).

During the financial period, 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.

**KRAKATOA RESOURCES LIMITED  
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

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Dalgaranga Project

During the financial period, the Company reviewed the geological mapping and rock chip results arising from the field trip conducted in June 2016.

A soil geochemical sampling program commenced in February 2017 to define pegmatite extensions to the Dalgaranga open pit, which was historically mined for Tantalum and identify additional pegmatites that may have been obscured by transported cover sequences.

Mac Well Project

During the financial period, exploration licence E59/2175 was granted.

A soil geochemical survey at Mac Well commenced in February 2017 and to determine the potential of hosting lithium bearing pegmatites and locating their extents. Detailed geological mapping will be completed in conjunction with the soil geochemical survey

Capital Raising

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 made the completion of due diligence and submissions on the potential clean energy opportunities possible.

**SUBSEQUENT EVENTS**

On 9 March 2017, the Company executed a binding term sheet to dispose of its dormant Indonesian subsidiaries PT Bumi Pratama and PT Bina Citra Sawita for \$1. At disposal, the Indonesian subsidiaries had net liabilities (excluding intercompany loans) of approximately \$60,000.

On 16 March 2017, the Company announced that the binding agreement with United Mining Group ("UMG") to jointly pursue opportunities in the energy sector with the focus on clean energy opportunities in Australia, as announced to ASX on 17 August 2016, has been terminated by mutual agreement. Pursuant to the termination agreement between KTA and UMG, should UMG or any of its related entities become successful in acquiring either of the potential opportunities, the Company will receive staged payments of up to \$1,500,000 over a period of 12 months as a reimbursement for funds expended by KTA on the bid processes.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Consolidated Entity during the financial half-year.

**KRAKATOA RESOURCES LIMITED  
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

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**AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration for the half-year ended 31 December 2016 is set out on page 17.

This report is signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



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Colin Locke  
Executive Chairman

Perth  
Dated: 16 March 2017

**KRAKATOA RESOURCES LIMITED  
AND CONTROLLED ENTITIES**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the Half-Year Ended 31 December 2016

	<b>Consolidated 31 December 2016 \$</b>	<b>Consolidated 31 December 2015 \$</b>
Revenue	24,586	2,660
Administration expenses	(80,260)	(86,875)
Compliance and regulatory expenses	(132,786)	(144,627)
Consultancy fees	(35,410)	(30,000)
Employee benefits expense	(152,655)	(97,626)
Exploration expenditure and project evaluation costs	(811,610)	(126,195)
Share based payments expense	-	(168,000)
Travel and accommodation	(72,287)	(55,691)
<b>Loss before income tax expense</b>	<b>(1,260,422)</b>	<b>(706,354)</b>
Income tax expense	-	-
Loss after income tax expense for the half-year	(1,260,422)	(706,354)
<b>Other comprehensive loss</b>		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	(557)	(4,354)
Total comprehensive loss for the half year	(557)	(4,354)
<b>Total comprehensive loss for the half year</b>	<b>(1,260,979)</b>	<b>(710,708)</b>
Net loss for the half-year is attributable to:		
Members of the parent entity	(1,260,422)	(706,354)
Non-controlling interest	-	-
	(1,260,422)	(706,354)
Total comprehensive loss for the half year is attributable to:		
Members of the parent entity	(1,260,979)	(710,708)
Non-controlling interest	-	-
	(1,260,979)	(710,708)
Basic and diluted loss per share (cents per share)	(2.16)	(1.53)

The accompanying notes form part of this financial report

**KRAKATOA RESOURCES LIMITED  
AND CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2016

	<b>Consolidated 31 December 2016 \$</b>	<b>Consolidated 30 June 2016 \$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	661,365	257,671
Trade and other receivables	57,019	7,601
Other financial assets	-	6,920
<b>TOTAL CURRENT ASSETS</b>	<u>718,384</u>	<u>272,192</u>
<b>NON-CURRENT ASSETS</b>		
Exploration and evaluation expenditure	<u>575,626</u>	<u>550,000</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>575,626</u>	<u>550,000</u>
<b>TOTAL ASSETS</b>	<u>1,294,010</u>	<u>822,192</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	<u>213,708</u>	<u>231,548</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>213,708</u>	<u>231,548</u>
<b>TOTAL LIABILITIES</b>	<u>213,708</u>	<u>231,548</u>
<b>NET ASSETS</b>	<u>1,080,302</u>	<u>590,644</u>
<b>EQUITY</b>		
Issued capital	2 7,733,287	6,549,132
Reserves	1,230,659	664,734
Accumulated losses	<u>(7,883,644)</u>	<u>(6,623,222)</u>
<b>TOTAL EQUITY</b>	<u>1,080,302</u>	<u>590,644</u>

The accompanying notes form part of this financial report



**KRAKATOA RESOURCES LIMITED  
AND CONTROLLED ENTITIES**

**STATEMENT OF CHANGES IN EQUITY**

For the Half-Year Ended 31 December 2016

**Consolidated**

	<b>Issued Capital</b>	<b>Option Premium Reserve</b>	<b>Foreign Currency Translation Reserve</b>	<b>Accumulated Losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2015</b>	<b>5,009,963</b>	<b>188,340</b>	<b>(19,844)</b>	<b>(5,451,917)</b>	<b>(273,458)</b>
Loss for the period	-	-	-	(706,354)	(706,354)
Other comprehensive income	-	-	(4,354)	-	(4,354)
Total comprehensive loss for the period	-	-	(4,354)	(706,354)	(710,708)
<i>Transactions with owner directly recorded in equity:</i>					
Shares issued during the period	636,010	-	-	-	636,010
Options issued during the period	-	398,630	-	-	398,630
Less: Transaction costs arising from issue of shares	(89,648)	-	-	-	(89,648)
<b>Balance at 31 December 2015</b>	<b>5,556,325</b>	<b>586,970</b>	<b>(24,198)</b>	<b>(6,158,271)</b>	<b>(39,174)</b>
<b>Balance at 1 July 2016</b>	<b>6,549,132</b>	<b>693,403</b>	<b>(28,669)</b>	<b>(6,623,222)</b>	<b>590,644</b>
Loss for the period	-	-	-	(1,260,422)	(1,260,422)
Other comprehensive income	-	-	(557)	-	(557)
Total comprehensive loss for the period	-	-	(557)	(1,260,422)	(1,260,979)
<i>Transactions with owner directly recorded in equity:</i>					
Shares issued during the period	1,882,229	-	-	-	1,882,229
Options issued during the period	-	566,482	-	-	566,482
Less: Transaction costs arising from issue of shares	(698,074)	-	-	-	(698,074)
<b>Balance at 31 December 2016</b>	<b>7,733,287</b>	<b>1,259,885</b>	<b>(29,226)</b>	<b>(7,883,644)</b>	<b>1,080,302</b>

The accompanying notes form part of this financial report

**KRAKATOA RESOURCES LIMITED  
AND CONTROLLED ENTITIES**

**STATEMENT OF CASH FLOWS**  
For the Half-Year Ended 31 December 2016

	<b>Consolidated 31 December 2016 \$</b>	<b>Consolidated 31 December 2015 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(423,702)	(525,466)
Exploration expenditure and project evaluation costs	(938,172)	(133,987)
Interest received	2	65
	<hr/>	<hr/>
Net cash used in operating activities	(1,361,872)	(659,388)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets	4,929	-
Payment for exploration assets	(25,000)	-
	<hr/>	<hr/>
Net cash used in investing activities	(20,071)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares and options	1,917,229	857,704
Payments for capital raising costs	(131,592)	(80,890)
	<hr/>	<hr/>
Net cash provided by financing activities	1,785,637	776,814
<b>Net increase in cash held</b>	<b>403,694</b>	<b>117,426</b>
Cash and cash equivalents at beginning of period	<hr/> 257,671	<hr/> 23,098
<b>Cash and cash equivalents at end of reporting period</b>	<hr/> <b>661,365</b>	<hr/> <b>140,524</b>

The accompanying notes form part of this financial report

**KRAKATOA RESOURCES LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Half-Year Ended 31 December 2016

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**Note 1: Summary of Significant Accounting Policies**

**Basis of Preparation**

These general purpose interim financial statements for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Krakatoa Resources Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied with those of the previous financial year, except in relation to the matters disclosed below.

**New and Revised Accounting Standards**

The Consolidated Entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the Consolidated Entity's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Consolidated Entity.

**KRAKATOA RESOURCES LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Half-Year Ended 31 December 2016

**2. ISSUED CAPITAL**

	<b>31 December 2016</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Issued and paid up capital</b>		
Ordinary shares fully paid	7,733,287	6,549,132
	<u>7,733,287</u>	<u>6,549,132</u>
	<b>Number</b>	<b>\$</b>
<b>(b) Movement in ordinary shares on issue</b>		
Balance at 1 July 2016	54,167,768	6,549,132
Shares issued during the period	13,548,191	1,882,229
Transaction costs arising from issue of shares	-	(698,074)
Balance at 31 December 2016	67,715,959	7,733,287
	<u>67,715,959</u>	<u>7,733,287</u>

**3. DIVIDENDS**

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the period.

**4. SEGMENT INFORMATION**

The Consolidated Entity 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 Consolidated Entity has organised its operations into two reportable segments on the basis of stage of development as follows:

- Development assets
- 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 half-year ended 31 December 2016, the Consolidated Entity had no development assets. The Board considers that it has only operated in one segment, being mineral exploration.

The Consolidated Entity is domiciled in Australia. All revenue from external customers are only generated from Australia and Indonesia.

No revenues were derived from a single external customer.

**KRAKATOA RESOURCES LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Half-Year Ended 31 December 2016

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**5. EVENTS SUBSEQUENT TO REPORTING PERIOD**

On 9 March 2017, the Company executed a binding term sheet to dispose of its dormant Indonesian subsidiaries PT Bumi Pratama and PT Bina Citra Sawita for \$1. At disposal, the Indonesian subsidiaries had net liabilities (excluding intercompany loans) of approximately \$60,000.

On 16 March 2017, the Company announced that the binding agreement with United Mining Group (“UMG”) to jointly pursue opportunities in the energy sector with the focus on clean energy opportunities in Australia, as announced to ASX on 17 August 2016, has been terminated by mutual agreement. Pursuant to the termination agreement between KTA and UMG, should UMG or any of its related entities become successful in acquiring either of the potential opportunities, the Company will receive staged payments of up to \$1,500,000 over a period of 12 months as a reimbursement for funds expended by KTA on the bid processes.

**6. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

**KRAKATOA RESOURCES LIMITED  
AND CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

For the Half-Year Ended 31 December 2016

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In the opinion of the Directors of Krakatoa Resources Limited ('the Consolidated Entity'):

1. The financial statements and notes thereto of the Consolidated Entity, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
  - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and its performance for the half-year then ended.
2. In the Directors' opinion there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to Section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



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Colin Locke  
Executive Chairman

Perth  
Dated: 16 March 2017

RSM Australia Partners

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

We have reviewed the accompanying half-year financial report of Krakatoa Resources Limited which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Krakatoa Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

THE POWER OF BEING UNDERSTOOD  
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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

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Krakatoa Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Krakatoa Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature of "RSM" in black ink.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to read "Tutu Phong".

TUTU PHONG  
Partner

Perth, WA  
Dated: 16 March 2017





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## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Krakatoa Resources Limited for the half-year ended 31 December 2016, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM AUSTRALIA PARTNERS

TUTU PHONG  
Partner

Perth, WA  
Dated: 16 March 2017

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