



**Krakatoa Resources Limited
ACN 155 231 575**

PROSPECTUS

THIS PROSPECTUS IS BEING ISSUED FOR:

- A NON-RENOUNCEABLE PRO-RATA OFFER TO ELIGIBLE SHAREHOLDERS ON THE BASIS OF ONE NEW SHARE FOR EVERY TWO SHARES HELD ON THE RECORD DATE AT AN ISSUE PRICE OF \$0.025 EACH TO RAISE APPROXIMATELY \$846,462 (BEFORE COSTS); AND
- A PLACEMENT TO SELECTED PARTICIPANTS OF UP TO 48,673,409 NEW OPTIONS WITH AN EXERCISE PRICE OF \$0.10 AND EXERCISABLE ON OR BEFORE 31 MAY 2019 AT AN ISSUE PRICE OF \$0.001 PER NEW OPTION TO RAISE APPROXIMATELY \$48,674 (BEFORE COSTS).

THIS PROSPECTUS IS ALSO BEING ISSUED IN ORDER TO:

- FACILITATE SECONDARY TRADING OF THE NEW OPTIONS; AND
- FACILITATE SECONDARY TRADING OF THE UNDERLYING SHARES TO BE ISSUED UPON EXERCISE OF THE NEW OPTIONS PURSUANT TO ASIC CORPORATIONS (SALE OFFERS THAT DO NOT NEED DISCLOSURE) INSTRUMENT 2016/80.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.

IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.

THE SECURITIES OFFERED IN CONNECTION WITH THIS PROSPECTUS ARE OF A SPECULATIVE NATURE.

IMPORTANT INFORMATION

This Prospectus is dated 24 April 2017 and was lodged with the ASIC on that date with the consent of all Directors. Neither ASIC nor ASX nor their respective officers take any responsibility for the contents of this Prospectus.

No Securities will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus). The Company will apply for official quotation by ASX of the Securities offered by this Prospectus.

A copy of this Prospectus is available for inspection at the registered office of the Company at Level 11, 216 St Georges Terrace, Perth, Western Australia, 6000, during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 5.5).

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 4 of this Prospectus. These risks, together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Securities in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

Acceptances of New Shares under the Entitlement Offer can only be submitted on an original Entitlement and Acceptance Form sent with a copy of this Prospectus by the Company. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Entitlement Offer. If acceptance is by BPAY there is no need to return the original Entitlement and Acceptance Form.

No person is authorised to give any information or to make any representation in connection with the Offers which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offers. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and New Options and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Definitions of certain terms used in this Prospectus are contained in Section 7. All references to currency are to Australian dollars and all references to time are to WST unless otherwise indicated. Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

CORPORATE DIRECTORY

Directors

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

Company Secretary

David Palumbo

Registered Office

Level 11, 216 St Georges Tce
PERTH WA 6000
Tel: +61 8 9481 0389
Fax: +61 8 9463 6103

ASX Code: KTA

Website: www.krakatoaresources.com

Share Registry*

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Tce
PERTH WA 6000
Tel: 1300 850 505
Fax: +61 3 9323 2033

Legal Advisor

Bellanhuse
Ground Floor, 11 Ventnor Avenue
WEST PERTH WA 6005

*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

PROPOSED TIMETABLE FOR ENTITLEMENT OFFER

Announcement of Entitlement Offer and Options Placement Notice to Optionholders Anticipated despatch of Notice of Meeting	Monday, 24 April 2017
Lodgement of Appendix 3B and Prospectus with ASX	Monday, 24 April 2017
Notice of Entitlement Offer sent to Shareholders	Thursday, 27 April 2017
Shares quoted on an “EX” basis	Friday, 28 April 2017
Record Date for determining Entitlements to New Shares	Monday, 1 May 2017
Prospectus and Entitlement and Acceptance Form dispatched to Eligible Shareholders Offers open	Thursday, 4 May 2017
Last day to extend the Entitlement Offer Closing Date	Monday, 15 May 2017
Closing Date of Entitlement Offer (5pm WST)*	Thursday, 18 May 2017
Shares quoted on a deferred settlement basis	Friday, 19 May 2017
Closing Date of Options Placement Offer	Monday, 22 May 2017
Notification of Shortfall	Tuesday, 23 May 2017
Anticipated Shareholder meeting to approve Options Placement	Thursday, 25 May 2017
Anticipated date for issue of New Shares and New Options Deferred settlement trading ends for Entitlement Offer	Thursday, 25 May 2017
Anticipated date for commencement of New Shares and trading on a normal settlement basis	Friday, 26 May 2017
Anticipated date for commencement of quotation of New Options	Friday, 26 May 2017

* All dates are indicative only and subject to change without prior written notice. Any extension of the Closing Dates will have a consequential effect on the date of issue of the securities offered under this Prospectus and will be announced to ASX. As such, the date the Securities issued under the Offers are expected to commence trading on ASX may vary.

TABLE OF CONTENTS

Section	Page No.
1. Details of the Offers	1
2. Action required by Eligible Shareholders	10
3. Effect of the Offers	12
4. Risk factors	14
5. Additional information	18
6. Directors' Statement and Consent	28
7. Glossary of Terms	29

INVESTMENT OVERVIEW

This Section is intended to highlight key information for potential investors. It is an overview only and is not intended to replace the Prospectus. Potential investors should read the Prospectus in full before deciding to invest in Securities.

Key Information	Further Information
<p>Transaction specific prospectus</p> <p>This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and New Options and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.</p>	<p>Important Information</p>
<p>Risk factors</p> <p>Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 4, including (but not limited to) risks in respect of:</p> <ul style="list-style-type: none"> • Mineral and Exploration risks: the Company's tenements are early stage exploration tenements with limited exploration undertaken on them to date. Mineral exploration by its nature is a high risk activity and there can be no guarantee of exploration success on the Company's projects. There can be no assurance that exploration of the tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited. Further, exploration involves certain operating hazards, such as failure and or breakdown of equipment, adverse geological, seismic and geotechnical conditions, industrial accidents, labour disputes, adverse weather conditions, pollution and other environmental hazards and risks. • Operating risks: the proposed activities of the Company including economic studies are dependent on economic inputs from commodity prices, metallurgical tests and market tests of which there is no guarantee of positive economics. It is a risk that studies may not be completed or may be delayed indefinitely where key inputs show negative economic outcomes. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining and processing of its mineral interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses. • Environmental risk: the Company's projects are subject to rules and regulations regarding environmental matters and the 	<p>Section 4</p>

Key Information	Further Information
<p>discharge of hazardous wastes and materials. As with all mineral projects, the Company's projects are expected to have a variety of environmental impacts should development proceed. Development of any of the Company's projects will be dependent on the Company satisfying environmental guidelines and, where required, being approved by government authorities.</p> <ul style="list-style-type: none"> • Commodity price volatility: if the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company including the international supply and demand for commodities, the quality of the minerals produced, actions taken by governments, forward selling activities and other macro-economic factors. • Additional requirements for capital: the Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of exploration, development or production on the Company's properties, or even loss of a property interest. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to shareholders. • Unforeseen expenditure risk: expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company. 	
<p>Entitlement Offer</p> <p>The Company is making a non-renounceable pro-rata offer of 33,858,480 Shares at an issue price of \$0.025 each to Eligible Shareholders on the basis of one Share for every two Shares held at 5:00pm (WST) on the Record Date to raise approximately \$846,462 (before costs).</p> <p>Shortfall Offer</p> <p>Any Entitlement not taken up pursuant to the Entitlement Offer will form the Shortfall Offer.</p> <p>The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three (3) months following the Entitlement Offer Closing Date. All New Shares issued under the Shortfall Offer shall be issued on the same terms as the</p>	<p>Sections 1.1, 1.2 and 1.3</p>

Key Information	Further Information
<p>New Shares being offered under the Entitlement Offer (including the issue price).</p> <p>The Shortfall Offer is open to Eligible Shareholders and the general public and investors wishing to participate should contact the Company to obtain a copy of this Prospectus and the Shortfall Offer application form.</p> <p>Options Placement</p> <p>The Company is making a placement to selected participants of up to 48,673,409 New Options with an exercise price of \$0.10 and exercisable on or before 31 May 2019 at an issue price of \$0.001 per New Option to raise approximately \$48,674 (before costs).</p> <p>The Options Placement to selected participants is comprised of the following:</p> <ol style="list-style-type: none"> 1. an offer of up to 42,673,409 New Options to Previous Optionholders on the basis of one New Option for every one Expired Option held by such selected participants on 31 March 2017; and 2. an offer of up to 6,000,000 New Options to the Directors as follows: <ol style="list-style-type: none"> (a) 3,000,000 New Options to Executive Chairman, Mr Colin Locke; (b) 2,000,000 New Options to Non-Executive Director, Mr Timothy Hogan; and (c) 1,000,000 New Options to Non-Executive Director, Mr Aryo Bimo. <p>The Options Placement Offer is conditional on:</p> <ol style="list-style-type: none"> 3. the Company meeting ASX's quotation conditions for quotation of the New Options; and 4. receipt of Shareholder approval for the issue of the New Options at a general meeting which is anticipated to be held on 25 May 2017. The notice of meeting is anticipated to be dispatched to Shareholders on or around 24 April 2017. 	
<p>Eligible Shareholders</p> <p>The Entitlement Offer is made to Eligible Shareholders only.</p> <p>Eligible Shareholders are those Shareholders who:</p> <ul style="list-style-type: none"> • are the registered holder of Shares as at 5.00pm (WST) on the Record Date; and • have a registered address in Australia or, subject to the offer restrictions in New Zealand, Singapore or Indonesia. 	<p>Sections 1.17 to 1.20</p>

Key Information			Further Information	
Use of funds Funds raised under the Offers are intended to be used as follows:			Section 1.5	
Allocation of funds	Amount (\$)	%		
Exploration on Dalgaranga Project	280,250	31		
Exploration on Mac Well Project	207,250	23		
General working capital	382,636	43		
Costs of the Offers	25,000	3		
Total	895,136	100		
Effect on control of the Company The Company is of the view that the Offers will not affect the control of the Company. Shareholders should note that if they do not participate in the Entitlement Offer, their holdings will be diluted.			Section 1.8	
Indicative capital structure and pro-forma balance sheet The indicative capital structure upon completion of the Offers is set out below:			Sections 3.1 and 3.2	
	Shares	New Options		<i>Unquoted Options</i>
Balance at the date of this Prospectus	67,716,959	Nil		10,893,878 ¹
To be issued pursuant to the Offers	33,858,480	48,673,409		Nil
Total	101,575,439	48,673,409		10,893,878
Note: 1. Unquoted Options are exercisable at \$0.40 each on or before 12 December 2019. The indicative pro-forma balance sheet showing the effect of the Offer is in Section 3.2.				

Key Information	Further Information												
<p>Directors' interests in Shares and Entitlements</p> <p>The relevant interest of each of the Directors in Securities as at the date of this Prospectus is set out in the table below:</p> <table><tr><th>Directors</th><th>Shares</th><th>Unquoted options</th></tr><tr><td>Colin Locke</td><td>86,000</td><td>Nil</td></tr><tr><td>Aryo Bimo</td><td>1,000,000</td><td>Nil</td></tr><tr><td>Timothy Hogan</td><td>Nil</td><td>Nil</td></tr></table>	Directors	Shares	Unquoted options	Colin Locke	86,000	Nil	Aryo Bimo	1,000,000	Nil	Timothy Hogan	Nil	Nil	Section 5.8
Directors	Shares	Unquoted options											
Colin Locke	86,000	Nil											
Aryo Bimo	1,000,000	Nil											
Timothy Hogan	Nil	Nil											
<p>Forward looking statements</p> <p>This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.</p> <p>These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are considered reasonable.</p> <p>Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the management.</p> <p>The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.</p> <p>The Directors have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.</p> <p>These forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 4.</p>	Important Information												

1. Details of the Offers

1.1 Entitlement Offer

The Company is making a non-renounceable pro-rata offer of ordinary fully paid shares at an issue price of \$0.025 each to Eligible Shareholders on the basis of one New Share for every two Shares held at 5:00pm (WST) on the Record Date (**Entitlement Offer**).

The market price of Shares at the date of this Prospectus is such that it is unlikely that any of the existing Options will be exercised before the Record Date. On the basis that no existing Options are exercised prior to the Record Date, the Entitlement Offer is for a maximum of approximately 33,858,480 New Shares (subject to rounding) to raise up to approximately \$846,462 (before costs).

Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a Share, such fraction will be rounded up to the nearest whole Share.

Further details on the rights and liabilities attaching to the New Shares under the Entitlement Offer are contained in Section 5.1.

1.2 Shortfall Offer

Any Entitlement not taken up pursuant to the Entitlement Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three (3) months following the Entitlement Offer Closing Date. All New Shares issued under the Shortfall Offer shall be issued on the same terms as the New Shares being offered under the Entitlement Offer (including the issue price).

The Shortfall Offer is open to Eligible Shareholders and the general public and investors wishing to participate should contact the Company to obtain a copy of this Prospectus and the Shortfall Offer application form.

The Directors reserve the right to issue Shortfall at their absolute discretion. As such there is no guarantee that Applicants under the Shortfall Offer will receive any Shortfall. The Directors reserve the right to issue to an Applicant a lesser number of Shortfall than the number for which the Applicant applies, or to reject an Application, or to not proceed with placing the Shortfall. In that event, Application Monies for Shortfall will be refunded by the Company (without interest) in accordance with the provisions of the Corporations Act.

1.3 Options Placement Offer

The Company is making a placement to selected participants of up to 48,673,409 New Options with an exercise price of \$0.10 and exercisable on or before 31 May 2019 at an issue price of \$0.001 per New Option to raise approximately \$48,674 (before costs) (**Options Placement**).

The Options Placement to selected participants is comprised of the following:

- (a) an offer of up to 42,673,409 New Options to Previous Optionholders on the basis of one New Option for every one Expired Option held by such selected participants on 31 March 2017; and

- (b) an offer of up to 6,000,000 New Options to the Directors as follows:
 - (i) 3,000,000 New Options to Executive Chairman, Mr Colin Locke;
 - (ii) 2,000,000 New Options to Non-Executive Director, Mr Timothy Hogan; and
 - (iii) 1,000,000 New Options to Non-Executive Director, Mr Aryo Bimo.

If any New Options are not taken up by the selected participants set out above, the Directors reserve the right to allocate any remaining New Options to selected unrelated party participants in their absolute discretion.

The Options Placement Offer is conditional on:

- (a) the Company meeting ASX's quotation conditions for quotation of the New Options; and
- (b) receipt of Shareholder approval for the issue of the New Options at a general meeting which is anticipated to be held on 25 May 2017. The notice of meeting is anticipated to be dispatched to Shareholders on or around 24 April 2017.

The New Options offered under this Prospectus will form a new class of quoted securities of the Company.

Application has been made for the official quotation of the New Options offered by this Prospectus. If permission is not granted by ASX for the official quotation of the New Options offered by this Prospectus within three months after the date of this Prospectus, the Company will repay, as soon as practicable, without interest, all Application Monies received for the New Options.

Further details of the terms and conditions attaching to the New Options are in Section 5.2.

1.4 Purpose of this Prospectus

An ancillary purpose of this Prospectus is to:

- (a) facilitate secondary trading of the New Options to be issued under the Options Placement. A prospectus is required under the Corporations Act to enable persons who are issued the New Options to on-sell those New Options within 12 months of their issue. The Company will not issue the New Options with the purpose of the persons, to whom they are issued, selling or transferring those New Options, or granting, issuing or transferring interests in those New Options within 12 months of the issue but this Prospectus provides them the ability to do so should they wish; and
- (b) facilitate secondary trading of the Shares to be issued upon exercise of the New Options to be issued under the Options Placement. Issuing the New Options under this Prospectus will enable persons who are issued the New Options to on-sell the Shares issued on exercise of the New Options pursuant to ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80.

Accordingly, the purpose of this Prospectus is to:

- (a) make the Entitlement Offer and the Options Placement Offer;

- (b) ensure that the on-sale of New Options does not breach section 707(3) of the Corporations Act; and
- (c) ensure that the on-sale of the underlying Shares to be issued upon the exercise of the New Options is in accordance with ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80.

The New Options to be issued are subject to Shareholder approval at a general meeting which is anticipated to be held on 25 May 2017.

1.5 Use of funds

Completion of the Entitlement Offer and Options Placement will result in an increase in cash at hand of approximately \$895,136 (before payment of costs).

The following indicative table sets out the proposed use of funds raised under the Offers:

Proposed use	\$
Exploration on Dalgaranga Project	280,250
Exploration on Mac Well Project	207,250
General working capital ¹	382,636
Costs of Offers	25,000
TOTAL	895,136

Note:

1. Working capital includes but is not limited to corporate administration and operating costs and may be applied to directors' fees or executive fees, ASX and share registry fees, legal, tax and audit fees, insurance and travel costs.

If the Company does not raise the full amount under the Offers, funds allocated will be scaled back on a pro-rata basis.

The above is a statement of current intentions at the date of this Prospectus. Intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.

1.6 Opening and Closing Dates

For the Entitlement Offer, the Company will accept Entitlement and Acceptance Forms from the date it dispatches the Prospectus and Entitlement and Acceptance Forms until 5:00pm (WST) on 18 May 2017 or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules (**Entitlement Offer Closing Date**).

The closing date for the Options Placement is 22 May 2017 (**Options Placement Closing Date**). For the Options Placement, the Company will accept Application Forms from 4 May 2017 until the Options Placement Closing Date.

The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend the closing dates of the Offers without prior notice. If a closing date is varied, subsequent dates may also be varied accordingly.

1.7 Minimum subscription

There is no minimum subscription for the Offers.

1.8 Effect on control of the Company

The approximate total number of New Shares proposed to be issued under the Entitlement Offer is 33,858,480 which will constitute approximately 33% of the Shares on issue following completion of the Entitlement Offer (assuming no other Shares are issued or Securities exercised or converted to Shares prior to the Record Date).

The Company is of the view that the Offers will not affect the control (as defined by section 50AA of the Corporations Act) of the Company.

No nominee has been appointed for Ineligible Foreign Shareholders under section 615 of the Corporations Act and, as such, Eligible Shareholders will not be able to rely on the exception for rights issues in item 10 of section 611 of the Corporations Act. Accordingly, when an Eligible Shareholder applies for some or all of their Entitlement, they must have regard to section 606 of the Corporations Act. Eligible Shareholders who may be at risk of exceeding the 20% voting power threshold in section 606 of the Corporations Act as a result of the acceptance of their Entitlement should seek professional advice before completing and returning their Entitlement and Acceptance Form.

1.9 Substantial Shareholders

Based on available information as at the date of this Prospectus, those persons which together with their associates have a voting power in 5% or more of the Shares on issue are set out below:

Substantial Shareholder	Number of Shares	Voting power
Asia Mineral Trade Pte Ltd	5,000,000	7.38%
Mr Lafras Luitingh	4,000,000	5.91%

1.10 Potential dilution

Shareholders should note that if they do not participate in the Entitlement Offer, their holdings are likely to be diluted (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders are set out in the table below:

Holder	Holding as at Record Date	% at Record Date	Entitlements under the offer	Holdings if offer not taken up	% post Offer
Shareholder 1	5,000,000	7.38%	2,500,000	5,000,000	4.92%
Shareholder 2	2,000,000	2.95%	1,000,000	2,000,000	1.97%

Holder	Holding as at Record Date	% at Record Date	Entitlements under the offer	Holdings if offer not taken up	% post Offer
Shareholder 3	1,000,000	1.48%	500,000	1,000,000	0.98%

Note:

1. The dilution effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are subsequently placed pursuant to the Directors' reserved discretion. In the event all Entitlements are not accepted and some or all of the resulting Shortfall is not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.
2. The table above does not take into consideration the New Options and the dilution effect that the exercise of any of the Options would have on the Shareholders.

1.11 No rights trading

The rights to New Shares under the Entitlement Offer are non-renounceable. Accordingly, there will be no trading of rights on ASX and you may not dispose of your Entitlement to any other party. If you do not take up your Entitlement to New Shares under the Entitlement Offer by the Entitlement Offer Closing Date, the Entitlement Offer to you will lapse.

1.12 Application Forms

(a) Entitlement Offer

Acceptance of a completed Entitlement and Acceptance Form by the Company creates a legally binding contract between the Entitlement Offer Applicant and the Company for the number of New Shares accepted by the Company. The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of New Shares.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the Acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form, is final.

The Company will send this Prospectus, together with an Entitlement and Acceptance Form, to all Eligible Shareholders.

(b) Options Placement and Shortfall Offer

Separate application forms will be provided, together with a copy of this Prospectus, to Options Placement Applicants (**Options Placement Application Form**) and those persons contacting the Company wishing to participate in the Shortfall (**Shortfall Application Form**).

Acceptance of a completed Options Placement Application Form or Shortfall Application Form by the Company creates a legally binding contract between the relevant Applicant and the Company for the number of New Options or New Shares accepted by the Company. The Options Placement Application Form or Shortfall Application Form does not need to be signed to be a binding acceptance of New Options or New Shares (as the case may be).

If the Options Placement Application Form or Shortfall Application Form is not completed correctly it may still be treated as valid. The Directors' decision as

to whether to treat an Options Placement Application Form or Shortfall Application Form as valid and how to construe, amend or complete the application form, is final.

1.13 Issue Date and dispatch

All Securities under the Offers are expected to be issued on or before the date specified in the proposed timetable in this Prospectus.

Security holder statements will be dispatched at the end of the calendar month following the issue of the New Shares under the Entitlement Offer and New Options under the Options Placement.

It is the responsibility of Applicants to determine their allocation prior to trading in the Securities. Applicants who sell Securities before they receive their holding statements do so at their own risk.

1.14 Application Monies held on trust

All Application Monies received for the New Shares and New Options under the Offers will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the New Shares and New Options are issued. All Application Monies will be returned (without interest) if the New Shares and New Options under the Offers are not issued.

1.15 ASX quotation

Application has been or will be made for the official quotation of the New Shares offered by this Prospectus. If permission is not granted by ASX for the official quotation of the New Shares offered by this Prospectus within three months after the date of this Prospectus (or such period as the ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus for the New Shares.

Application has been or will be made for the official quotation of the New Options offered by this Prospectus. If permission is not granted by ASX for the official quotation of the New Options offered by this Prospectus within three months after the date of this Prospectus (or such period as the ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus for the New Options.

1.16 CHESS

The Company participates in the Clearing House Electronic Sub-register System, known as CHESS. ASX Settlement Pty Limited, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, Entitlement Offer Applicants will not receive a certificate but will receive a statement of their holding of Shares.

If you are broker sponsored, ASX Settlement Pty Limited will send you a CHESS statement.

The CHESS statement will specify the number of Shares and New Options issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the New Shares and New Options.

If you are registered on the Issuer Sponsored sub-register, your statement will be dispatched by Computershare Investor Services Pty Limited and will contain the number of Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time; however, a charge may be made for additional statements.

1.17 Overseas investors

This Prospectus, and any accompanying Entitlement and Acceptance Form in respect of the Entitlement Offer and Options Placement Application Form in respect of the Options Placement, do not, and are not intended to, constitute an offer of Securities in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus, the New Shares or the New Options.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Company believes that it is unreasonable to extend the Entitlement Offer to Ineligible Foreign Shareholders. The Company has formed this view having considered:

- (a) the number and value of the New Shares that would be offered to those Shareholders; and
- (b) the cost of complying with the legal requirements and the requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, Ineligible Foreign Shareholders will not be entitled to participate in the Offers.

1.18 New Zealand offer restrictions

The New Shares are not being offered or sold to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand at the Record Date.

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority. This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

1.19 Singapore

This Prospectus and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares may not be issued, circulated or distributed, nor may these securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the

Securities and Futures Act, Chapter 289 of Singapore (SFA), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are an existing holder of the Company's Shares. In the event that you are not such a shareholder, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

1.20 Indonesia

A registration statement with respect to the New Shares has not been, and will not be, filed with the Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK) of the Republic of Indonesia. Therefore, the New Shares may not be offered or sold or be the subject of an invitation for subscription or purchase. Neither this document nor any other document relating to the offer or sale, or invitation for subscription or purchase, of the New Shares may be circulated or distributed, whether directly or indirectly, in the Republic of Indonesia or to Indonesian citizens, corporations or residents, except in a manner that will not be considered as a "public offer" under the law and regulations in the Republic of Indonesia.

1.21 Notice to nominees and custodians

Nominees and custodians that hold Shares should note that the Entitlement Offer is available only to Eligible Shareholders. The Company is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Shares. If any nominee or custodian is acting on behalf of a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Entitlement Offer is compatible with applicable foreign laws.

1.22 Risk factors

An investment in Securities should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are certain specific risks associated with an investment in the Company which are detailed in Section 4.

1.23 Taxation implications

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for Securities under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. As a result, Applicants should consult their professional tax adviser in connection with subscribing for Securities under this Prospectus.

1.24 Major activities and financial information

A summary of the major activities and financial information relating to the Company, for the financial year ended 30 June 2016, can be found in the Company's Annual Report

announced on ASX on 30 September 2016 and, for the half-year ended 31 December 2016, the Half Year Accounts announced on ASX on 16 March 2017. The Company's continuous disclosure notices (i.e. ASX announcements) since 30 September 2016 are listed in Section 5.5. Copies of these documents are available free of charge from the Company. The Directors strongly recommend that Applicants review these and all other announcements prior to deciding whether or not to participate in the Offers.

1.25 Privacy

The Company collects information about each Applicant provided on an application form for the purposes of processing the Acceptance and, if the Acceptance is successful, to administer the Applicant's shareholding in the Company.

By submitting an application form, each Applicant agrees that the Company may use the information provided by an application form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the application form, the Company may not be able to accept or process your application form.

An Applicant has an entitlement to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

1.26 Enquiries concerning Prospectus

For enquiries concerning the Entitlement and Acceptance Form, the Options Placement Application Form and the Prospectus, please contact Computershare Investor Services Pty Limited on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

For general shareholder enquiries or to express an interest in participating in the Shortfall Offer, please contact the Company Secretary by email on david@miningcorporate.com.au.

2. Action required by Eligible Shareholders

2.1 Acceptance of Entitlement in full

Should you wish to accept all of your Entitlement to Shares under the Entitlement Offer and you are not paying by BPAY, then applications for New Shares under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque, bank draft or money order for the amount indicated on the Entitlement and Acceptance Form.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque, bank draft or money order in Australian dollars, crossed "Not Negotiable" and made payable to "Krakatoa Resources Limited" and lodged at any time after the issue of this Prospectus and on or before the Entitlement Offer Closing Date at the Company's share registry (by post) at:

Computershare Investor Services Pty Limited
GPO Box 505
MELBOURNE VIC 3001

Applications will be deemed not to have been received until the Company is in receipt of cleared funds.

If paying via BPAY, Entitlement Offer Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Entitlement Offer Applicant to ensure that funds are submitted through BPAY by the Entitlement Offer Closing Date. If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

2.2 If you wish to take up only part of your Entitlement

Follow the instructions in Section 2.1 in relation to the Entitlement under the Entitlement Offer that you wish to accept.

If you do not wish to accept part of your Entitlement, you are not obliged to do anything. The part of the Entitlement Offer that you do not accept will lapse by the Entitlement Offer Closing Date. The number of Shares you hold and the rights attached to those Shares will not be affected should you choose not to accept any of your Entitlement.

2.3 Entitlements not taken up

If you do not wish to accept any of your Entitlement, you are not obliged to do anything. The number of Shares you hold and the rights attached to those Shares will not be affected should you choose not to accept any of your Entitlement.

2.4 Entitlement and Acceptance Form

Acceptance of a completed Entitlement and Acceptance Form by the Company creates a legally binding contract between the Entitlement Offer Applicant and the Company

for the number of New Shares accepted by the Company. The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of Shares.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the Acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form, is final.

The Company will send this Prospectus, together with an Entitlement and Acceptance Form, to all Eligible Shareholders.

By completing and returning your Entitlement and Acceptance Form with the requisite Application Monies, or making a payment via BPAY, you will be deemed to have represented that you are an Eligible Shareholder. In addition, you will also be deemed to have represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence and/or where you have been given the Prospectus, does not prohibit you from being given the Prospectus and that you:

- (a) agree to be bound by the terms of the Entitlement Offer;
- (b) declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- (c) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement Offer Application Form;
- (d) authorise the Company and its respective officers or agents, to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Company's share registry upon using the contact details set out in the Entitlement and Acceptance Form;
- (e) declare that you are the current registered holder of Shares as at the Record Date and have a registered address in Australia or subject to the offer restrictions in New Zealand, Singapore or Indonesia (see Sections 1.18 to 1.20);
- (f) acknowledge that the information contained in, or accompanying, the Prospectus is not investment or financial product advice or a recommendation that Shares are suitable for you given your investment objectives, financial situation or particular needs; and
- (g) acknowledge that the New Shares have not, and will not be, registered under the securities laws in any other jurisdictions outside Australia.

2.5 Enquiries concerning your Entitlement

For enquiries concerning the Entitlement and Acceptance Form and the Prospectus, please contact Computershare Investor Services Pty Limited on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

For general shareholder enquiries, please contact the Company Secretary by email on david@miningcorporate.com.au.

3. Effect of the Offers

3.1 Capital structure on completion of the Offers

	Shares	Quoted Options	Unquoted options
Balance at the date of this Prospectus	67,716,959	Nil	10,893,878 ¹
To be issued under the Offers	33,858,480	48,673,409	Nil
Balance after the Offers	101,575,439	48,673,409	10,893,878

Note:

1. The 10,893,878 unquoted options exercisable at \$0.40 each on or before 12 December 2019.

3.2 Pro forma consolidated statement of financial position

Set out below is the unaudited consolidated balance sheet (statement of financial position) of the Company as at 31 March 2017 ("A") and a pro-forma consolidated balance sheet ("B") assuming the following:

- (a) the Offers are fully subscribed leading to:
 - (i) the issue of 33,858,480 Shares at an issue price of \$0.025 each to raise approximately \$846,462; and
 - (ii) the issue of 48,673,409 New Options at an issue price of \$0.001 each to raise approximately \$48,674;
- (b) the costs of the Offers are \$25,000.

	Unaudited Consolidated 31 March 2017 \$ "A"	Pro-forma Consolidated \$ "B"
Current Assets		
Cash assets	319,510	1,189,646
Trade and other receivables	23,720	23,720
Total Current Assets	343,230	1,213,366
Non-current Assets		
Exploration and evaluation	606,923	606,923
Total Non-current Assets	606,923	606,923
Total Assets	950,153	1,820,289
Current Liabilities		
Trade and other payables	55,422	55,422
Total Current Liabilities	55,422	55,422

Total Liabilities	55,422	55,422
Net Assets	894,731	1,764,867
Equity		
Issued Capital	7,731,643	8,553,105
Reserves	1,259,885	1,308,559
Accumulated Losses	(8,096,797)	(8,096,797)
Total Equity	894,731	1,764,867

Basis of Preparation

The pro forma balance sheets have been prepared on a going concern basis which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The pro forma statement of financial position is based on the unaudited financial position as at 31 March 2017 and assumes that the Offers are fully subscribed. Other than in the ordinary course of business, there have been no other material transactions between that date and the date of this Prospectus.

3.3 Market price of Shares

The highest and lowest closing market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.078 on 28 March 2017

Lowest: \$0.04 on 21 April 2017

The latest available market sale price of the Shares on ASX prior to the date of lodgement of this Prospectus with the ASIC was \$0.04 per Share on 21 April 2017.

4. Risk factors

The Securities offered under this Prospectus should be considered speculative because of the nature of the business activities of the Company. Potential investors should consider whether the Securities offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. This list is not exhaustive and potential investors should read this Prospectus in its entirety and if in any doubt consult their professional adviser before deciding whether to participate in the Offers.

The principal risks include, but are not limited to, the following:

4.1 Mining Industry Risks

(a) Mineral and Exploration risk

The Company's tenements are early stage exploration tenements with limited exploration undertaken on them to date.

Mineral exploration by its nature is a high risk activity and there can be no guarantee of exploration success on the Company's projects. There can be no assurance that exploration of the tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

Further, exploration involves certain operating hazards, such as failure and or breakdown of equipment, adverse geological, seismic and geotechnical conditions, industrial accidents, labour disputes, adverse weather conditions, pollution and other environmental hazards and risks.

(b) Operating risks

The proposed activities of the Company including economic studies are dependent on economic inputs from commodity prices, metallurgical tests and market tests of which there is no guarantee of positive economics. It is a risk that studies may not be completed or may be delayed indefinitely where key inputs show negative economic outcomes. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining and processing of its mineral interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of processing technology tested in pilot conditions. The nature of the technology risk is the cost of developing an economically viable commercial operation and production facility, and arises for the required scaling up from the existing pilot plant.

(c) Environmental risk

The Company's projects are subject to rules and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mineral projects, the Company's projects are expected to have a variety of environmental impacts should development proceed. Development

of any of the Company's projects will be dependent on the Company satisfying environmental guidelines and, where required, being approved by government authorities.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws, but may still be subject to accidents or other unforeseen events which may compromise its environmental performance and which may have adverse financial implications.

(d) Commodity price volatility

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company including the international supply and demand for commodities, the quality of the minerals produced, actions taken by governments, forward selling activities and other macro-economic factors.

(e) Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of exploration, development or production on the Company's properties, or even loss of a property interest. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to shareholders.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issues and finance leases (and any related guarantee and security) that may be entered into by the Company may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or default under a finance lease could also result in the loss of assets.

(f) Unforeseen expenditure risk

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(g) Mineral title risks

Mining and exploration permits are subject to periodic renewal. There is no guarantee that current or future permits or future applications for production concessions will be approved. Permits are subject to numerous legislation conditions. The renewal of the term of a granted permit is also subject to the discretion of the relevant mining inspector. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations,

financial position and/or performance of the Company. Furthermore the Company could lose title to, or its interest in, tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

4.2 General risk factors

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

(a) Market conditions and other economic risks

General economic conditions, movements in interest and inflation rates, commodity prices and currency exchange rates may have an adverse effect on the Company's operations and any future development activities, as well as on its ability to fund those activities.

The price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general.

Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(b) Changes in government policies and legislation

Any material adverse changes in government policies or legislation of Australia or any other country that the Company may acquire economic interests in may affect the viability and profitability of the Company.

(c) Economic

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's business activities as well as on the Company's ability to fund those activities.

(d) Force Majeure

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(e) Litigation risks

The Company is exposed to possible litigation risks. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any litigation.

(f) Regulatory risks

The Company incurs ongoing costs and obligations associated with compliance with necessary regulations. Any failure to comply with regulations may result

in additional costs for corrective measures, penalties or in restrictions on the Company's proposed business operations. In addition, changes in regulations could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

(g) Reliance on key personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on the Company's senior management and key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment or if one or more of the Directors leaves the Board.

(h) Market conditions

Share market conditions may affect the value of the Company's quoted Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return to Security holders arising from the Offers or otherwise.

4.3 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by prospective investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.

Therefore, the New Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

5. Additional information

5.1 Rights and liabilities attaching to New Shares

A summary of the rights attaching to Shares in the Company is below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

(a) Voting rights

Subject to any rights or restrictions attached to any class of shares, whether by their issue, the Constitution, the Listing Rules or the Corporations Act, at a general meeting each Shareholder present in person or by proxy, company representative or attorney, is entitled to one vote on a show of hands. Upon a poll, every Shareholder present in person or by proxy, company representative or attorney, is entitled to one vote for each Share that the Shareholder holds.

(b) General meetings

Each Shareholder is entitled to receive notice of and to be present, to vote and to speak at a general meeting of the Company. Further, each Shareholder is entitled to receive all notices, accounts and other documents required to be furnished to Shareholders under the Constitution, the Listing Rules or the Corporations Act.

(c) Dividend rights

The Company may in general meeting declare a dividend which shall not exceed the amount recommended by Directors. The Company does not expect to pay dividends in the short to medium term.

(d) Transfer of Shares

Subject to the Constitution, the Corporations Act, the ASX Settlement Operating Rules and the Listing Rules, Shares are freely transferable. Shares may be transferred as set out in the Constitution, including by way of a market transfer. The Company may decline to register a transfer (other than a market transfer) where permitted by law, the Listing Rules or the ASX Settlement Operating Rules.

(e) Changes in capital

Subject to the Corporations Act, the Constitution and the Listing Rules, the Directors may consolidate, or divide the Shares, allot, issue or otherwise dispose of new Shares on such terms and conditions as they determine.

(f) Variation of rights

The Company may only modify or vary the rights attaching to any class of Shares with the consent in writing of three quarters of the issued shares of that class or by a special resolution of the Company passed at a meeting of the holders of the issued Shares of that class.

(g) Rights on winding up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, any shares classified as restricted securities at the time of the commencement of the winding up shall rank in priority after all other shares.

(h) Election of Directors

There must be a minimum of 3 but not more than 10 Directors. At every annual general meeting one third of the Directors (rounded to the nearest whole number) must retire from office. If the Company has less than 3 Directors, one Director must retire from office together with any Director who would have held office for more than 3 years if that Director remains in office until the next general meeting. These retirement rules do not apply to certain appointments including the managing director.

(i) Indemnities

To the extent permitted by law the Company must indemnify every officer, auditor or agent of the Company out of the property of the Company against any liability incurred by him or her in their capacity as officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceeding, whether civil or criminal.

(j) Shareholder liability

As the Shares under the Prospectus are fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(k) Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

(l) **Listing Rules**

If the Company is admitted to trading on the official list, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

5.2 **Terms and Conditions attaching to New Options**

The New Options offered pursuant to this Prospectus entitle a holder to subscribe for Shares on the following terms and conditions:

(a) **Entitlement**

Each New Option entitles the holder to subscribe for one Share upon exercise of the New Option.

(b) **Exercise Price**

Subject to Section 5.2(k), the amount payable upon exercise of each New Option will be \$0.10 (**Exercise Price**).

(c) **Expiry Date**

Each New Option will expire at 5.00pm (WST) on 31 May 2019 (**Expiry Date**). A New Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The New Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The New Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each New Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each New Option being exercised in cleared funds (**Exercise Date**).

(g) Quotation

Provided the Company can meet the minimum requirements pursuant to the Listing Rules, the Company will apply for quotation of the New Options on ASX.

(h) Quotation of Shares issued on exercise

Application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the New Options.

(i) Timing of issue of Shares on exercise

After a New Option is validly exercised, the Company must, within, 15 Business Days of receipt of the Notice of Exercise and receipt of cleared funds equal to the Exercise Price of the exercised New Option:

- (i) issue the Share; and
- (ii) do all such acts, matters and things to obtain the grant of official quotation of the Share on ASX no later than 10 Business Days after issuing the Share.

(j) Shares issued on exercise

Shares issued on exercise of the New Options rank equally with the then issued shares of the Company.

(k) Reconstruction of capital

In the event of any reconstruction (including consolidation, subdivision, reduction or return of capital) of the issued capital of the Company prior to the Expiry Date, all rights of the New Option holder will be varied in accordance with the Listing Rules.

(l) Participation in new issues

There are no participation rights or entitlements inherent in the New Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options without exercising the New Options.

(m) Change in exercise price

The Company may change the exercise price of the New Options or the number of Shares over which the New Options are exercisable in the event of the Company making a pro-rata issue of Shares or other securities to the holders of Shares in the Company (other than a bonus issue) in accordance with Listing Rule 6.22.2A.

(n) Adjustment for bonus issues

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of a New Option will be increased by the number of Shares which the holder

would have received if the holder of the New Options had exercised the New Option before the record date for the bonus issue; and

(ii) no change will be made to the New Option exercise price.

(o) **Transferability**

The New Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

5.3 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the securities market conducted by ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain limited exceptions), to notify ASX once it is, or becomes aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit review or report. Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 5.5 below). Copies of all documents announced to the ASX can be found at <http://www.krakatoaresources.com/investor-center/asx-announcements/>.

5.4 Dividend Policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

5.5 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it during the period of the Entitlement Offer a copy of:

- (a) the financial statements of the Company for the financial year ended 30 June 2016, being the last financial statements for a financial year of the Company lodged with ASIC before the issue of this Prospectus;
- (b) the financial statements of the Company for the half year ended 31 December 2016;
- (c) the annual report of the Company for the financial year ended 30 June 2016, being the last annual report of the Company lodged with ASIC after lodgement of the financial statements referred to in Section 5.5(a) above and before the issue of this Prospectus; and
- (d) the following notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgement of the

financial statements referred to in Section 5.5(a) above until the date of this Prospectus:

Date lodged	Subject of Announcement
21/04/2017	Quarterly Cashflow Report
21/04/2017	Quarterly Activities Report
05/04/2017	Change of Director's interest notice x3
04/04/2017	Options Expiry
27/03/2017	Change in substantial holding
24/03/2017	Reinstatement to Official Quotation - Tuesday 28 March 2017
24/03/2017	Appendix 3B
24/03/2017	Market Update
24/03/2017	Prospectus
16/03/2017	Half Yearly Report and Accounts
16/03/2017	Market Update
06/03/2017	Field Program Completed at Dalgaranga & Mac Well
02/03/2017	Option Expiry
10/02/2017	Field Program Commences at Dalgaranga & Mac Well
31/01/2017	Quarterly Cashflow Report
31/01/2017	Quarterly Activities Report
12/12/2016	Appendix 3B
05/12/2016	Appendix 3B
05/12/2016	Krakatoa Completes Raise of \$0.5m
25/11/2016	Results of Meeting
31/10/2016	Quarterly Activities Report
31/10/2016	Quarterly Cashflow Report
24/10/2016	Notice of Annual General Meeting/Proxy Form
12/10/2016	Appendix 3B
07/10/2016	Information Required Under ASX Listing Rule 3.10.5A

Date lodged	Subject of Announcement
07/10/2016	Appendix 3B
07/10/2016	Krakatoa Completes Raise of \$1.38m
30/09/2016	Annual Report to shareholders

The following documents are available for inspection throughout the period of the Offers during normal business hours at the registered office of the Company:

- (a) this Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 5.12 and the consents provided by the Directors to the issue of this Prospectus.

5.6 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules other than as is set out in this Prospectus.

5.7 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Securities under this Prospectus.

5.8 Interests of Directors

(a) Information disclosed in this Prospectus

Other than as set out in this Prospectus, no Director holds or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (i) the formation or promotion of the Company;
- (ii) any property acquired or proposed to be acquired by the Company in connection with:
 - (A) its formation or promotion; or
 - (B) the Offers; or
- (iii) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director:

- (iv) as an inducement to become, or to qualify as, a Director; or
- (v) for services provided in connection with:
 - (A) the formation or promotion of the Company; or

(B) the Offers.

(b) **Security holdings**

The relevant interests of each of the Directors in Securities as at the date of this Prospectus is set out below.

Directors	Shares	Unquoted options
Colin Locke	86,000	Nil
Aryo Bimo	1,000,000	Nil
Timothy Hogan	Nil	Nil

(c) **Remuneration**

The Constitution provides that the Company may remunerate the Directors. The remuneration shall, subject to any resolution of a general meeting, be fixed by the Directors. A Director may also be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Directors received the following remuneration for the preceding two financial years:

-		Salary & fees	Share based payments	Super-annuation	Short term annual leave	TOTAL
Colin Locke ¹	2016	103,290	63,000	-	-	166,290
	2015	-	-	-	-	-
Aryo Bimo ²	2016	35,968	42,000	-	-	77,968
	2015	90,000	-	-	-	90,000
Timothy Hogan ³	2016	26,226	42,000	2,491	-	70,717
	2015	-	-	-	-	-
Brian Varndell ⁴	2016	8,064	-	766	-	8,830
	2015	30,000	-	2,850	-	32,850
Roger Pooley ⁴	2016	2,984	-	283	-	3,267
	2015	30,000	-	2,850	-	32,850

Notes:

1. Mr Colin Locke has worked in an executive capacity as Executive Chairman since his appointment on 6 August 2015. Under the terms of the executive agreement, Mr Locke's total remuneration package is \$114,000.
2. Mr Aryo Bimo worked in an executive capacity as Executive Director for the financial period to 6 August 2015, at which point he became a Non-Executive Director. Under the terms of the executive agreement, Mr Bimo's annual salary was \$90,000. Mr Bimo's appointment as a non-executive director is formalised in the form of a service agreement. Mr Bimo is entitled to receive directors' fees of \$30,000 per annum.
3. The appointment of non-executive director Tim Hogan on 7 October 2015 is formalised in the form of a service agreement. Mr Hogan is entitled to receive directors' fees of \$36,000 plus superannuation per annum.
4. Appointment of non-executive directors Brian Varndell and Roger Pooley was formalised in the form of service agreements. They were each entitled to receive directors' fees of \$30,000 plus superannuation per annum.

5.9 Related party transactions

Other than as disclosed in this Prospectus, there are no related party transactions involved in the Offers.

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

5.10 Interests of other persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Securities offered under this Prospectus or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
- (b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Offers.

5.11 Expenses of Offers

The estimated expenses of the Offers are as follows:

	\$
ASIC fees	2,350
ASX quotation fee	5,254
Legal and preparation expenses	5,000

Printing, mailing and other expenses	12,396
Total	25,000

5.12 Consents

- (a) Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of Shares under this Prospectus), the Directors, any persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.
- (b) Each of the parties referred to in this Section:
 - (i) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
 - (ii) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.
- (c) Bellanhouse has given its written consent to being named as the Australian corporate solicitors to the Company in this Prospectus. Bellanhouse has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.
- (d) Computershare Investor Services Pty Limited has given its written consent to being named as the share registry to the Company in this Prospectus. Computershare Investor Services Pty Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

6. Directors' Statement and Consent

This Prospectus is authorised by each of the Directors of the Company.

This Prospectus is signed for and on behalf of the Company by:

A handwritten signature in black ink, appearing to be 'TH', written over a faint horizontal line.

Tim Hogan
Director

Dated: 24 April 2017

7. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

\$ means Australian dollars.

Acceptance means a valid acceptance of Securities made pursuant to this Prospectus on an application form.

Applicant means an applicant for Securities offered under this Prospectus.

Application Monies means application monies for New Shares or New Options received by the Company.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 and where the context permits the Australian Shares Exchange operated by ASX Limited.

Board means the Directors meeting as a board.

Business Day means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

CHESS means ASX Clearing House Electronic Subregistry System.

Company means Krakatoa Resources Limited (ACN 155 231 575).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means *Corporations Act 2001* (Cth).

Directors mean the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means a person registered as the holder of Shares on the Record Date whose registered address is in Australia, New Zealand, Singapore or Indonesia.

Entitlement and Acceptance Form means the entitlement and acceptance form provided by the Company with a copy of this Prospectus that describes the entitlement of Shareholders to subscribe for New Shares pursuant to the Entitlement Offer.

Entitlement means the number of New Shares for which an Eligible Shareholder is entitled to subscribe under the Entitlement Offer, being one New Share for every two Shares held on the Record Date.

Entitlement Offer has the meaning given in section 1.1.

Entitlement Offer Applicant means a person who submits an Entitlement and Acceptance Form under the Entitlement Offer.

Entitlement Offer Closing Date has the meaning given to it in Section 1.6.

Expired Options means the class of the Company's quoted Options which expired on 31 March 2017.

Expiry Date means 31 May 2019, being the expiry date of the New Options.

Ineligible Foreign Shareholder means a person registered as the holder of Shares on the Record Date whose registered address is not in Australia, New Zealand, Singapore or Indonesia.

Issuer Sponsored means Shares issued by an issuer that are held in uncertified form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Listing Rules means the listing rules of ASX.

New Option means the new class of quoted Options being offered pursuant to the Options Placement Offer.

New Shares means a Share issued pursuant to the Entitlement Offer.

Offers means the Entitlement Offer, Shortfall Offer and the Options Placement Offer.

Option means the right to acquire one Share in the capital of the Company.

Options Placement has the meaning given in Section 1.3.

Options Placement Applicant means an applicant who applies for New Options under the Options Placement.

Options Placement Application Form has the meaning given in Section 1.12.

Options Placement Closing Date has the meaning given in Section 1.6.

Options Placement Offer means the offer of New Options pursuant to the Options Placement.

Previous Optionholders means the holders of the Expired Options.

Prospectus means this prospectus dated 24 April 2017.

Record Date means 5:00pm (WST) on the date identified in the proposed timetable.

Section means a section of this Prospectus.

Securities mean any securities including Shares or Options issued or granted by the Company.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Shortfall means New Shares not subscribed for under the Entitlement Offer.

Shortfall Offer is the offer of Shortfall described in Section 1.2.

WST means Western Standard Time, being the time in Perth, Western Australia.