



24 April 2017

Dear Optionholder

Notice to Optionholders of Non-Renounceable Entitlement Offer

We write to you as the registered holder of Krakatoa Resources Limited (ASX: KTA) (**Company**) options as at today's date. As advised in the Company's ASX announcement today, the Company is undertaking a non-renounceable pro-rata entitlement offer to eligible shareholders of ordinary fully paid shares in the Company at an issue price of \$0.025 per share and on the basis of 1 new share (**New Share**) for every 2 shares held at the record date on 1 May 2017 (**Record Date**) (**Entitlement Offer**). Pursuant to the Entitlement Offer, the Company will issue up to 33,858,480 New Shares to raise up to \$846,462 (before costs).

The Company is also making a placement to selected participants of up to 48,673,709 new options (**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 is conditional on the Company meeting ASX's quotation conditions for quotation of the New Options and receipt of Shareholder approval for the issue of the New Options at a general meeting to be held on 25 May 2017. It is anticipated that the notice of meeting will be dispatched to Shareholders on or around 24 April 2017. You will be contacted separately by the Company if you are a selected participant.

The Entitlement Offer will be available to all Company shareholders registered on the Record Date whose registered address is in Australia, New Zealand, Singapore or Indonesia (**Eligible Shareholders**).

A prospectus in relation to the Entitlement Offer was lodged with ASIC today and will be sent to Eligible Shareholders in due course.

Under the terms of the options you currently hold, there is no entitlement to participate in the Entitlement Offer unless you exercise your options, and are entered onto the register as a shareholder of the Company, by 5pm (WST) on the Record Date.

If you wish to participate in the Entitlement Offer, a notice of options exercise and payment of the options exercise price should be lodged with the Company's share registry, Computershare Investor Services Pty Limited, with sufficient time to ensure that you are registered as a shareholder of the Company by the Record Date.

If you do not wish to participate in the Entitlement Offer, no action is required.

For all enquiries concerning the Prospectus, please contact please contact the Company Secretary by email on david@miningcorporate.com.au. For all general shareholder enquiries, please contact Computershare Investor Services Pty Limited on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

Yours sincerely

Colin Locke
Executive Chairman

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