



27 April 2017

Dear Shareholder

Notice to Eligible Shareholders of Non-Renounceable Entitlement Offer

We write to you as the registered holder of shares in Krakatoa Resources Limited (ASX: KTA) (**Company**). As advised in the Company's ASX announcement dated 24 April 2017, 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 1 new share (**New Share**) for every 2 shares (**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 Entitlement Offer is available to all Company shareholders (**Shareholders**) registered on the record date on 1 May 2017 (**Record Date**) whose registered address is in Australia, New Zealand, Singapore or Indonesia (**Eligible Shareholders**). The Entitlement Offer is not being extended to any Shareholders with addresses outside these jurisdictions.

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. The notice of meeting was dispatched to Shareholders on 24 April 2017. You will be contacted separately by the Company if you are a selected participant.

Purpose of the Entitlement Offer and the Options Placement

Subject to the satisfactory completion of the Entitlement Offer and Options Placement, funds will be used on exploration activities for the Company's existing Dalgara and Mac Well Projects, cover the costs of the offer and to provide the Company with general working capital.

Indicative Timetable

The entitlement to New Shares and New Options will be offered in accordance with the following indicative timetable:

Event	Date
Announcement of Entitlement Offer and Options Placement	Monday, 24 April 2017
Notice to Optionholders	
Despatch of Notice of Meeting	
Lodgement of Appendix 3B and Prospectus with ASX	Monday, 24 April 2017
Notice of Entitlement Offer sent to Shareholders	Thursday, 27 April 2017

Registered office:

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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	Thursday, 4 May 2017
Offers open	
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	Thursday, 25 May 2017
Deferred settlement trading ends for Entitlement Offer	
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 Date will have a consequential effect on the date of issue of the New Shares and New Options.

Shortfall

Eligible Shareholders may apply for shares under the shortfall offer subject to such applications being received by the Closing Date. The general public and investors who wish to participate in the shortfall offer should contact the Company to obtain a copy of the Prospectus and shortfall offer application form. The Company reserves the right, subject to any restrictions imposed by the Corporations Act and the Listing Rules, to issue the shortfall shares at their sole discretion. The Company may allocate any surplus shortfall to those who have applied for shortfall shares at its absolute discretion.

Effect on Capital Structure

The table below sets out the impact of the Entitlement Offer and Options Placement on the capital structure of the Company:

	Shares	Quoted Options	Unquoted options
Balance at the date of this Prospectus	67,716,959	Nil	10,893,878
To be issued under the Entitlement Offer and Options Placement	33,858,480	48,673,709	Nil
Balance after the Entitlement Offer and Options Placement*	101,575,439	48,673,709	10,893,878

*Assuming no options are exercised prior to the Record Date.

Prospectus

Details of the Entitlement Offer and the Options Placement are contained in the Prospectus. The Prospectus can be accessed from the ASX and Company websites, www.asx.com.au and www.krakatoaresources.com respectively.

A copy of the Prospectus is intended to be sent to Eligible Shareholders on 4 May 2017.

The directors of the Company urge you to read the Prospectus carefully and seek advice from your financial adviser if you have any queries. This notice is to inform you of the Entitlement Offer. You are not required to do anything in respect to this letter.

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