krakatoa
resources limited
ABN 39 155 231 575

26 October 2018

September 2018 Quarterly Activities Report

Krakatoa Resources Limited (ASX: **KTA**) ("**Krakatoa**" or **the** "**Company**") is pleased to provide the following summary of activities conducted in the September 2018 quarter.

Corkill-Lawson and Farr Projects (Co-Ag)

The Corkill-Lawson and Farr Projects are located in the Gowganda area of north-eastern Ontario and are prospective for cobalt-silver mineralisation. The Cobalt-Gowganda mining area (otherwise known as the Cobalt Camp) of Ontario is historically one of the most prolific cobalt and silver mining areas in the world.

On 2 July 2018, the Company announced the identification of 11 targets prospective for silver-cobalt-nickel mineralisation based on reprocessing versatile time electromagnetic (VTEM) and ground induced polarisation (IP) data (see ASX: KTA, Geophysics reprocessing defines multiple Ag-Co-Ni targets at Corkill-Lawson). The interpreted targets lie within or immediately adjacent to the confirmed 3.2km of strike of Nipissing Diabase sill covered by the claim block.

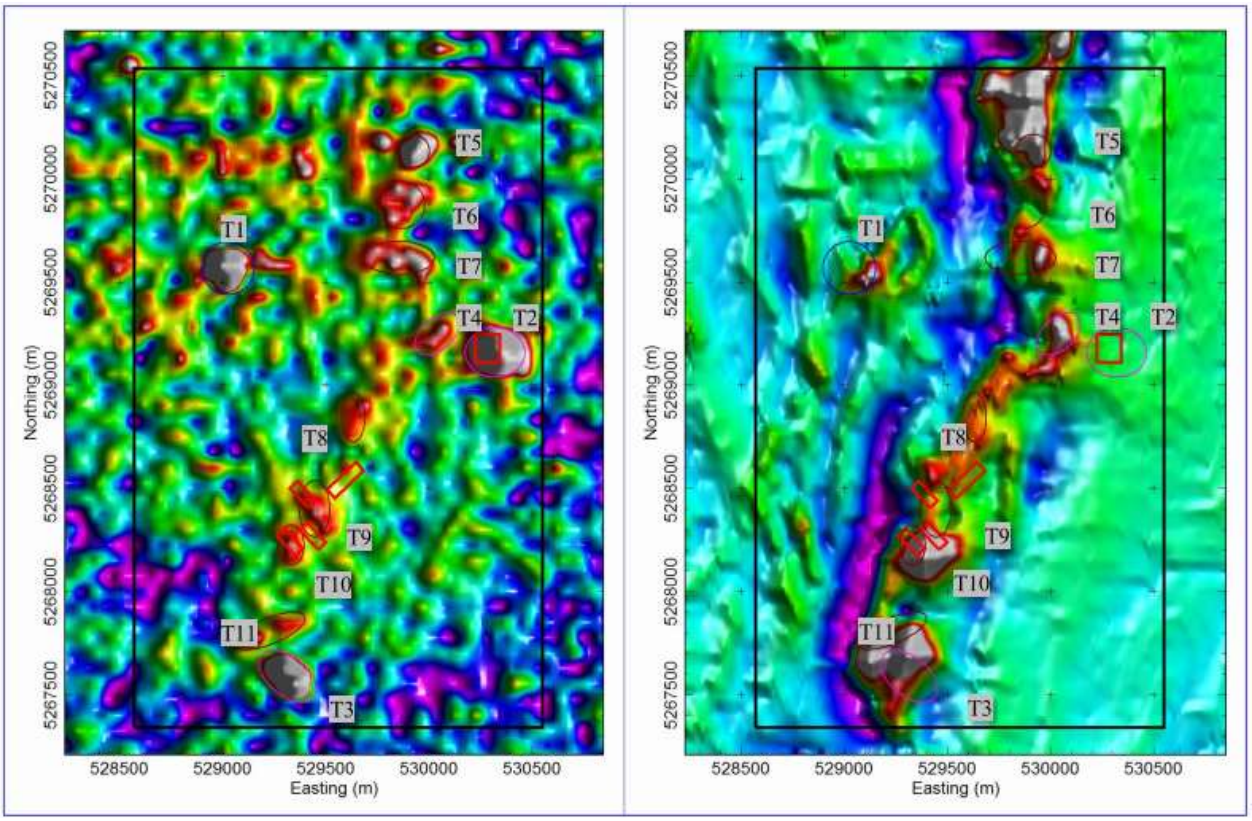

Figure 1: Target anomalies. Left VTEM B-Field Channel 20. Right TMI 1VD image. Red rectangle = IP anomalies. NAD83 Datum, UTM Zone 17 North coordinate system

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During the September 2018 quarter, the Company engaged Canadian Exploration Services Ltd to investigate the 11 target areas for potential mineralisation and validate the historical exploration by locating the collars to previously drilled holes. Each target was prospected for outcrop and/or reason for the anomaly. Rock chips were taken where outcrop was identified or soil samples collected where not, with five samples in a perpendicular cross across the target area. Samples were collected in the soil "B" horizon.

Seven rock samples were collected when outcrop was present. These were noted to contain chalcopyrite and aplite, which may indicate proximal mineralisation. Additionally, a preliminary soil sampling program was completed where no outcrop was present, with several indicating elevated base metal values. The areas are located near but not related to the historical drilling located within the project area. The results may indicate favourable base metal mineralisation lies near these sample locations. Refer to the ASX announcement dated 16 October 2018 and titled Exploration Update: Corkill-Lawson Property, Canada for full details.

Each target requires further consideration which will be the subject of future work. This work may involve further soil geochemistry using partial or selective extractions and ground IP.

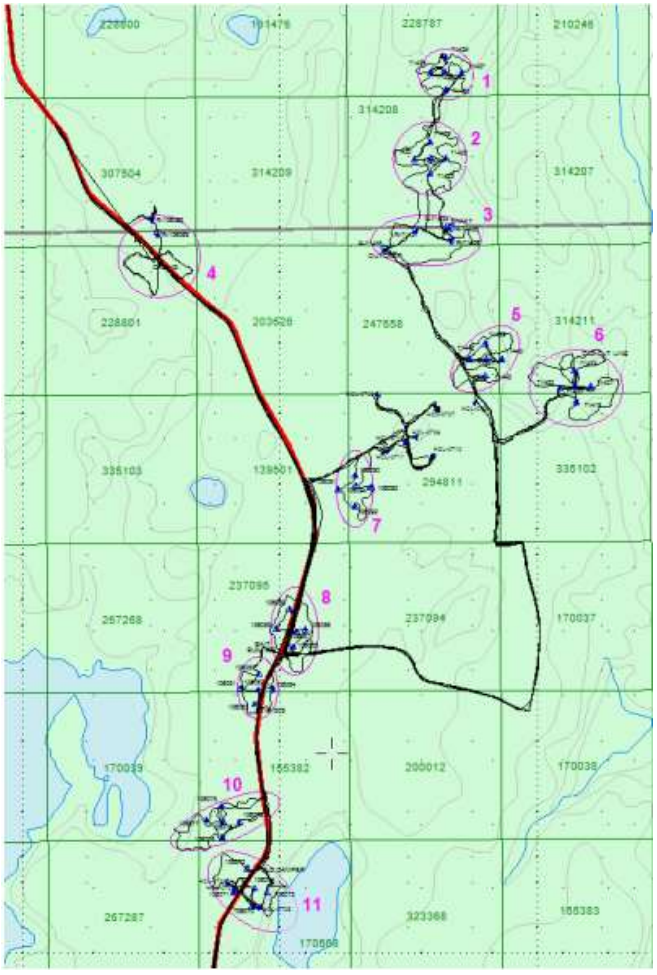

Figure 2 - Complete prospecting traverses with targets. Note targets numbers differ to those as documented and prioritised in the July 2 announcement. The numbering above was for planning purposes only.

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Mac Well Project (Be, Ni-Co, Au)

The Mac Well Project has a land area of 66.9km2 and is located 10km west of the Company's Dalgaranga Project. The Project contains a 7.5km strike along the prospective Warda Warra greenstone belt, mostly untested due to a thick transported cover.

During the September 2018 quarter, a desktop study and multi-element MMI ("mobile metal ion") soil geochemical survey on historical nickel and gold targets identified in the Warda Warra Greenstone Belt was completed.

As part of the desktop study, the legacy digital data for aeromagnetic and heliborne VTEM surveys, which only covers the eastern parts of Mac Well, was recovered and reprocessed by Core Geophysics (Core). WMC Resources and Buxton Resources flew the respective surveys. Core's analysis of the data supports the ultramafic and mafic rocks as extending further east than previously recognised and the exploration review shows most of the 7.5km strike of the greenstones within Mac Well remains untested.

Core outlined 5 VTEM anomalies unseen by past explorers. The five conductors display spatial proximity to a magnetic unit that may have significance for nickel exploration. These new targets were not tested in the current work program.

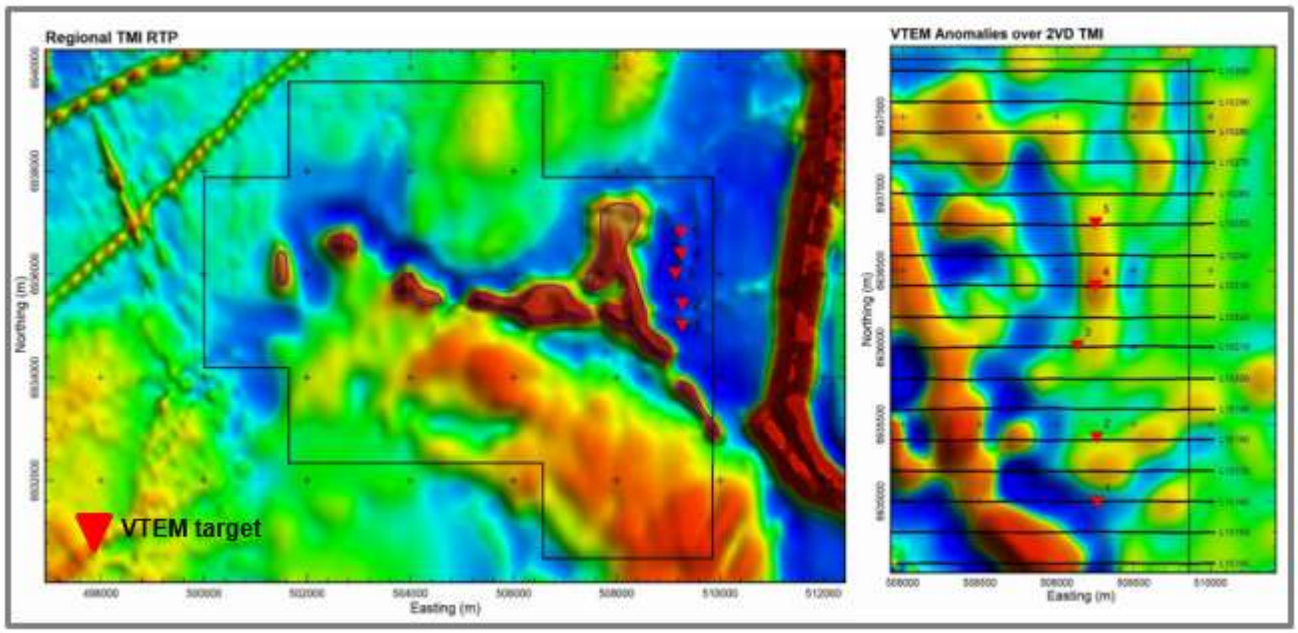

FIGURE 3 – LEFT: MERGED REGIONAL AND SEMI-REGIONAL MAGNETIC SURVEY DATA OVER E59/2175. RIGHT: SEVERAL ANOMALOUS CONDUCTORS (1-5) LINKED TO WEAKER MAGNETIC UNITS DELINEATED IN THE VTEM DATA

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WMC also produced a gold prospectivity model for the Warda Warra Greenstone Belt. The company cited the importance of northeast-trending lineaments, such as the Stewart and Western Queen Zones, as a critical control on gold mineralisation within the belt. The other critical criterion includes the proximity to granite-greenstone contact, in particular, the western contact, where the ultramafic rocks have taken up most of the strain. The Western Queen, Western Queen South and Trixie gold deposits all lie proximal to this contact.

The Stewart Zone and the western granite-greenstone contact align within the north of the Mac Well tenure forming a prospective gold zone obscured by the substantial cover present in the area. WMC and Equigold respectively applied surface lag and soil geochemistry in their exploration of the region without success. Both techniques are unsuitable for use in environments with thick cover, and neither test is considered definitive.

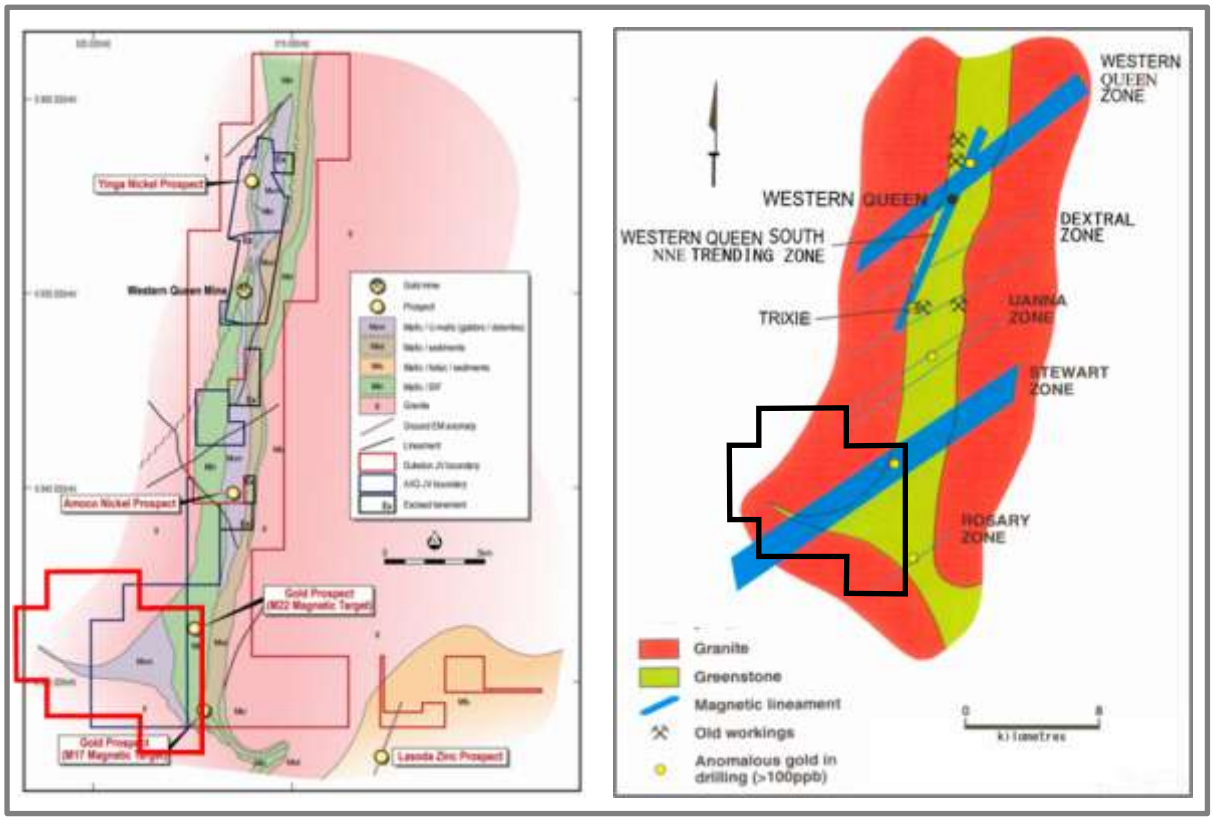

FIGURE 4 – LEFT: HISTORICAL MAP SHOWING THE APPROXIMATE POSITION OF E59/2175 ON GOLD AND NICKEL TARGETS. RIGHT: APPROXIMATE POSITION OF E59/2175 ON WMC GOLD PROPECTIVITY MODEL

The geochemical sampling completed during the September quarter targeted two zones:

- Distal pegmatite - intrude greenstone sequences representing the main target for LCT-pegmatite and associated mineralisation

- Contact zone between felsic intrusive and iron-rich mafic and ultramafic units as a focus for gold mineralisation

In total, 300 grams of material sieved to -4mm was collected and weighed in a plastic zip-lock bag for 317 samples. The samples were submitted to SGS Australia Pty Ltd for MMI-M assay.

The MMI geochemistry results produced two areas of interest. The first corresponds with a demagnetised structural break in the ultramafic bands previously drilled by WMC; the second zone occurs along the eastern margin of the ultramafic band which hosts the M22 magnetic target and lies proximal to companies VTEM targets.

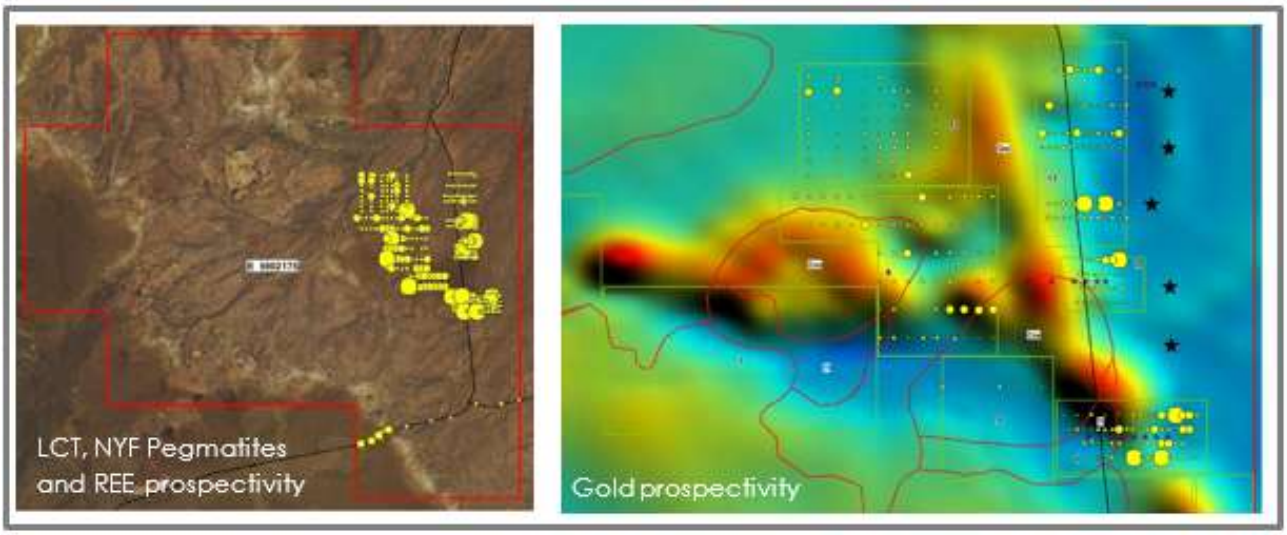

FIGURE 5 – LEFT: TARGET ZONES 2 AND 3 OVER GEOLOGY, E59/2175. RIGHT: MMI SAMPLE LOCATIONS

Suggested further work could be to:

- Sample the area containing the five interpreted VTEM anomalies
- Sample the area of the magnetic anomaly that links the Warda Warra to the Mac Well area
- Expand the soil grid to cover the interpreted extent of ultramafic rock and the western contact area within the Mac Well tenement
- Review with and intent to RAB drill test, the strong multielement signals returned from the demagnetised ultramafic position

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Dalgaranga Project (Ta, Li, Rb)

The Dalgaranga Project is located 80km north-west of Mount Magnet in Western Australia and is considered prospective for Tantalum, Lithium, Niobium and Rubidium. Dalgaranga was initially discovered by Dann Todd in about 1961 and subsequently underwent small-scale mining over many years, producing tantalum, beryl, tin and tungsten. Alluvial mining of tantalite has additionally been mined throughout the project area.

Previous drilling results revealed that several elements, including Be, Cs, Ge, K, Rb, Sn, Ta, Tl and W, exhibit systematic zonation in and around the pegmatites on the Dalgaranga property. The association between these elements is characteristic and supports the presence of an LCT or Lithium-Cesium-Tantalum Pegmatite at Dalgaranga.

During the September 2018 quarter, no work was completed on the Dalgaranga Project. A program of geological mapping and collation of all available historical exploration data on the project area acquired in the previous quarter will commence in due course.

Corporate

Krakatoa reviewed a number of opportunities during the September 2018 quarter. The Company continues to assess new opportunities that will add value for shareholders.

Yours faithfully,

Colin Locke
Executive Chairman

Competent person's statement:
The information in this announcement is based on information compiled by Mr Jonathan King, consultant geologist, who is a Member of the Australian Institute of Geoscientists and employed by Collective Prosperity Pty Ltd, and is an accurate representation of the available date and studies for the claim blocks. Mr King has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he has undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr King consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

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Appendix 1 - Details of Tenements Held at 30 September 2018

Project	Tenement Licence	Interest held at 30 June 2018	Interest acquired/ disposed	Interest held at 30 September 2018
Dalgaranga	P59/2082	100%	-	100%
Dalgaranga	P59/2140	100%	-	100%
Dalgaranga	P59/2141	100%	-	100%
Dalgaranga	P59/2142	100%	-	100%
Mac Well	E59/2175	100%	-	100%
Farr	131986	100%	-	100%
Farr	131987	100%	-	100%
Farr	148579	100%	-	100%
Farr	162115	100%	-	100%
Farr	204704	100%	-	100%
Farr	233431	100%	-	100%
Farr	233432	100%	-	100%
Farr	251322	100%	-	100%
Farr	251323	100%	-	100%
Farr	300021	100%	-	100%
Farr	317324	100%	-	100%
Farr	330653	100%	-	100%
Corkill- Lawson	113077	100%	-	100%
Corkill- Lawson	127453	100%	-	100%
Corkill- Lawson	139501	100%	-	100%
Corkill- Lawson	155382	100%	-	100%
Corkill- Lawson	155383	100%	-	100%
Corkill- Lawson	170037	100%	-	100%
Corkill- Lawson	170038	100%	-	100%
Corkill- Lawson	170039	100%	-	100%
Corkill- Lawson	170568	100%	-	100%
Corkill- Lawson	191476	100%	-	100%
Corkill- Lawson	200011	100%	-	100%
Corkill- Lawson	200012	100%	-	100%
Corkill- Lawson	203607	100%	-	100%
Corkill- Lawson	203626	100%	-	100%
Corkill- Lawson	210246	100%	-	100%
Corkill- Lawson	228787	100%	-	100%
Corkill- Lawson	228800	100%	-	100%
Corkill- Lawson	228801	100%	-	100%
Corkill- Lawson	237094	100%	-	100%
Corkill- Lawson	237095	100%	-	100%
Corkill- Lawson	247658	100%	-	100%
Corkill- Lawson	267268	100%	-	100%
Corkill- Lawson	267287	100%	-	100%
Corkill- Lawson	267288	100%	-	100%
Corkill- Lawson	286779	100%	-	100%
Corkill- Lawson	294811	100%	-	100%
Corkill- Lawson	307478	100%	-	100%
Corkill- Lawson	307479	100%	-	100%
Corkill- Lawson	307480	100%	-	100%
Corkill- Lawson	307504	100%	-	100%
Corkill- Lawson	307505	100%	-	100%
Corkill- Lawson	314207	100%	-	100%
Corkill- Lawson	314208	100%	-	100%
Corkill- Lawson	314209	100%	-	100%
Corkill- Lawson	314210	100%	-	100%
Corkill- Lawson	314211	100%	-	100%
Corkill- Lawson	314212	100%	-	100%
Corkill- Lawson	323368	100%	-	100%
Corkill- Lawson	335102	100%	-	100%
Corkill- Lawson	335103	100%	-	100%

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