

31 October 2019

September 2019 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 2019 quarter.

Belgravia Project

On 26 September 2019, the Company announced that it had entered a binding term sheet with Locksley Holdings Pty Ltd (“Locksley”) to acquire a 100% interest in Exploration licence 8153, comprising the Belgravia Project (“the Project”).

The Belgravia Project covers an area of 80km² and lies approximately 7km east of the township of Molong and 20km northwest of the regional centre of Orange, providing excellent road, rail, power, gas and water infrastructure. It is located in the central part of the Molong Volcanic Belt (MVB), between Newcrest Mining’s Cadia Valley Mine and Alkane Resources’ Northern Molong Porphyry Project and adjacent to the Copper Hill porphyry Cu-Au deposit (Figure 1).

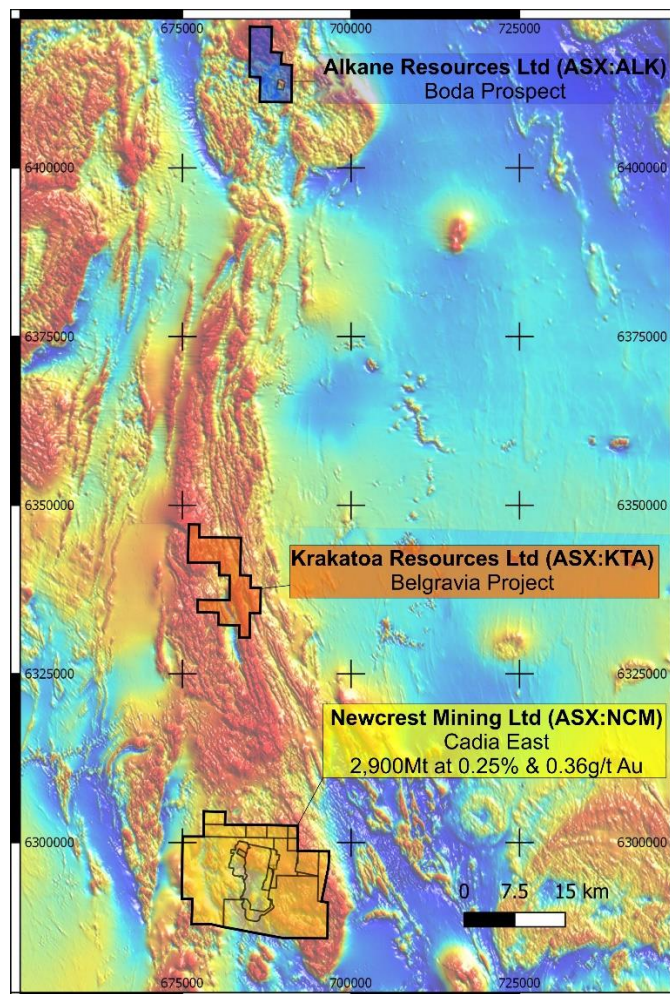


Figure 1: Regional TMI RTP Map of Molong Volcanic Belt

Registered office:

Level 11, London House, 216 St Georges Terrace, Perth, W.A. 6000

Ph: +618 9481 0389 **Fax:** +618 9463 6103 **W:** www.ktaresources.com **M:** info@ktaresources.com

The MVB, forms part of the East Lachlan province within the Lachlan Fold Belt. The East Lachlan province, hosts major copper-gold mining operations with significant metal endowments such as Cadia East Underground (34Moz Au & 7.6Mt Cu total resource comprising entirely indicated resources of 2,900mt @ 0.36g/t Au & 0.25% Cu), Cowal and Northparkes, as well as exploration and development projects including McPhillamys, Marsden, Temora, Copper Hill and Tomingley.

The Lachlan Fold Belt constitutes the largest porphyry province in Australia. Significantly, copper-gold porphyry deposits typically cluster and the Belgravia Project lies in a very fertile metallogenic province, bounded by the Macquarie Arc and Lachlan transverse zone. There remains considerable potential for more discoveries.

The Belgravia Project contains the eastern half of the Copper Hill Igneous Complex (Figure 2), which hosts the Copper Hill copper-gold deposit with global resources of 87Mt @ 0.32g/t Au and 0.36% Cu comprising indicated resources of 47mt @ 0.39g/t Au and 0.4% Cu and inferred resources of 39mt @ 0.24g/t Au and 0.32% Cu. Importantly the Copper Hill deposit contains higher-grade resources totalling 28Mt at 0.56% Cu and 0.53 g/t Au concentrated in the upper portions of the mineralised system and open at depth. Consequently, the bulk of this resource is potentially extractable by open-pit mining and has a strong potential for further resource growth through exploration.

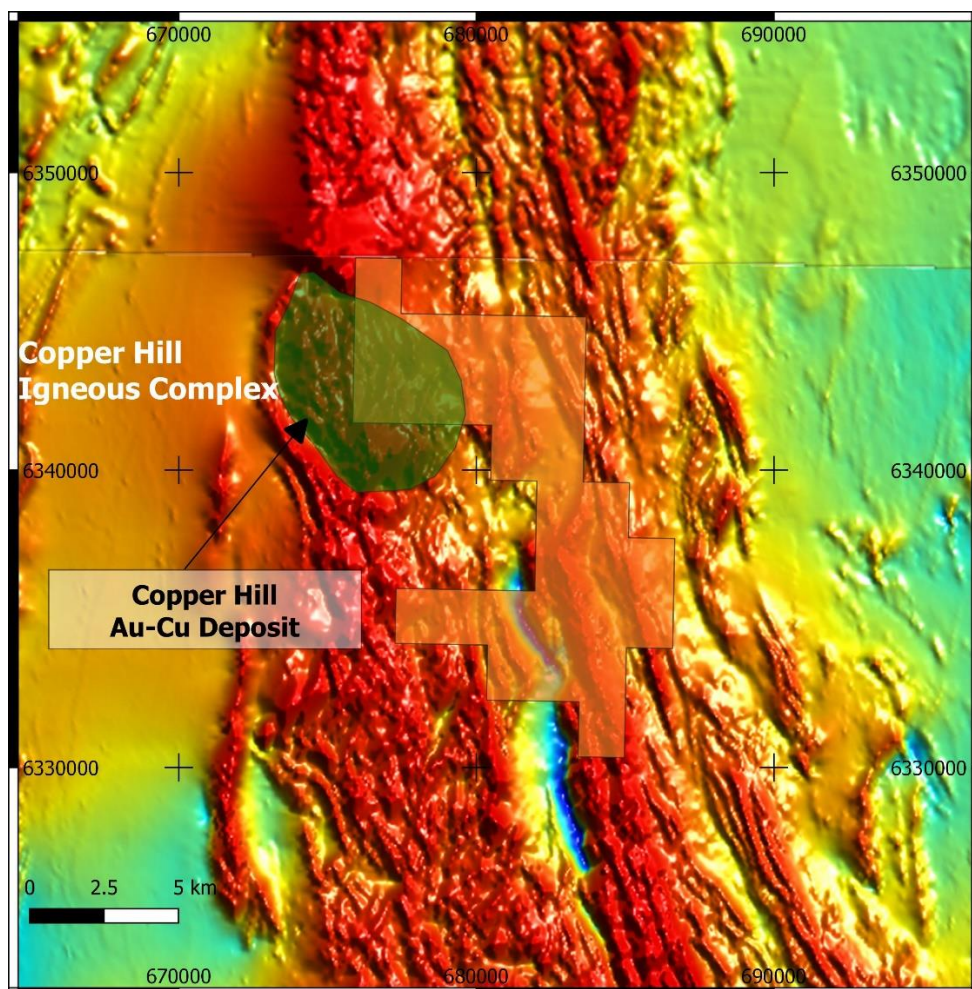


Figure 2: Copper Hill Igneous Complex over TMI

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Due diligence

Subsequent to quarter end, the Company satisfactorily completed legal and technical due diligence on the Belgravia Project and provided written notice to Vendor, Locksley, that it has elected to exercise the option to purchase the Project.

The technical due diligence, which included field-based investigations, confirmed the geological, structural and geophysical prospectivity of the Project and the 6 initial targets:

- Bell Valley (Copper Hill NE)
- Guanna Hill
- Sugarloaf Creek
- Shades Creek
- Strathmore
- Nandillyan

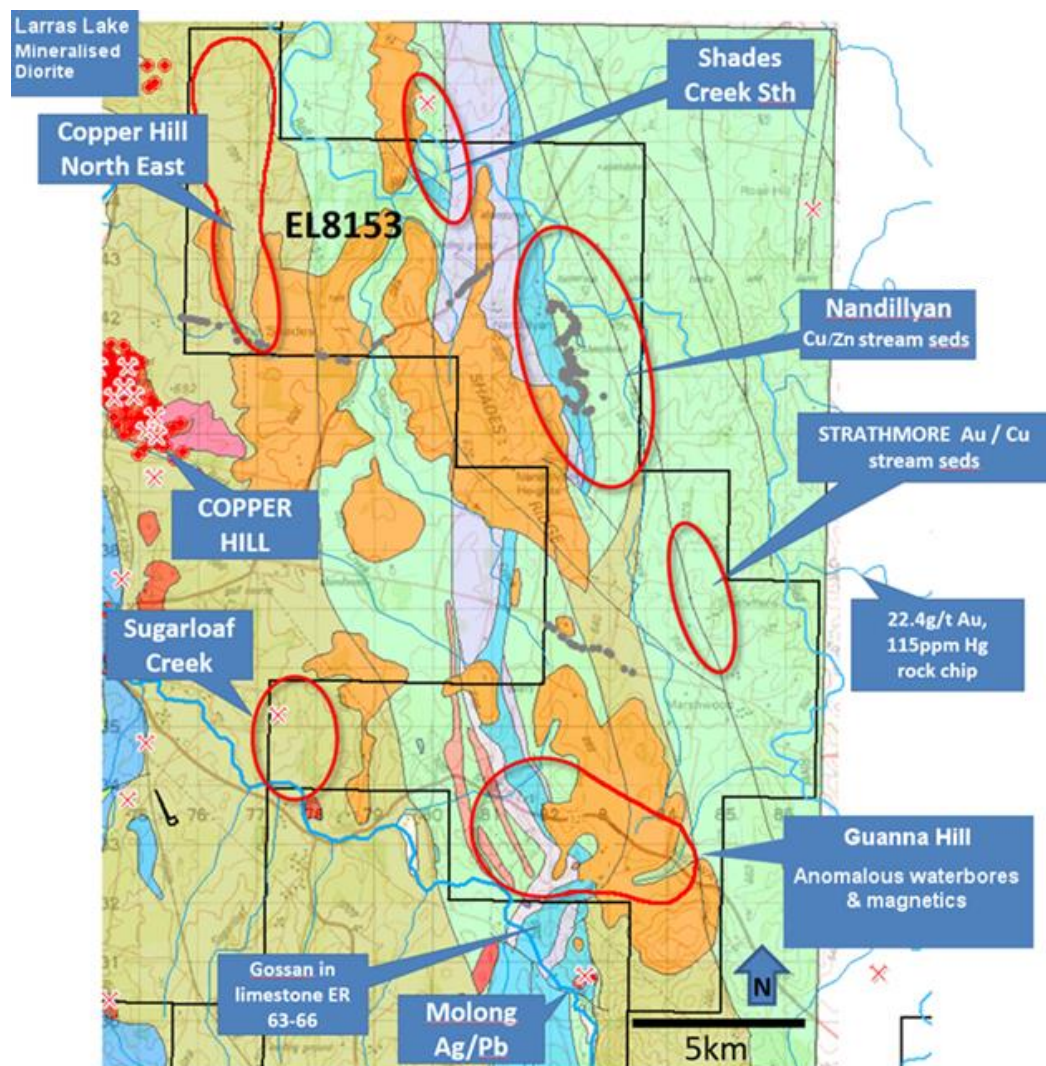


Figure 3: Initial target areas

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During the Company's field due diligence, large-scale and pervasive alteration was identified across most targets including Guanna Hill, Shades Creek, Nandillyan, Strathmore and especially Bell Valley, which lies over the eastern half of the Copper Hill Igneous Complex. The widespread chlorite-epidote \pm carbonate alteration is consistent with intersecting the outer propylitic zone of a porphyry copper-gold system.

Furthermore, the Company identified intense proximal albitisation and silica-saturation in the projects north, near the Shades Creek target. The observed alteration is characteristic of mineral zonation typically associated with the emplacement of porphyry intrusions.

Encouragingly, "doughnut" magnetic patterns considered characteristic of porphyry intrusion are present in the project area. The Bella prospect within the Bell Valley represents such a pattern. Bella, which has a diameter of approximately 500m, was outlined after reviewing and reprocessing the regional airborne geophysical data. Bella sits near the edge of the CHIC, in a juxtaposition to the Copper Hills Deposit. Much of the widespread chlorite-epidote \pm carbonate alteration lies within 1 or 2 km of the interpreted magnetic pattern.

Bella coincides with an interpreted WNW-trending structure thought to control the emplacement of the porphyry bodies. Similar oriented structures control emplacement of the porphyry-related mineralised systems at Cadia and Copper Hill.

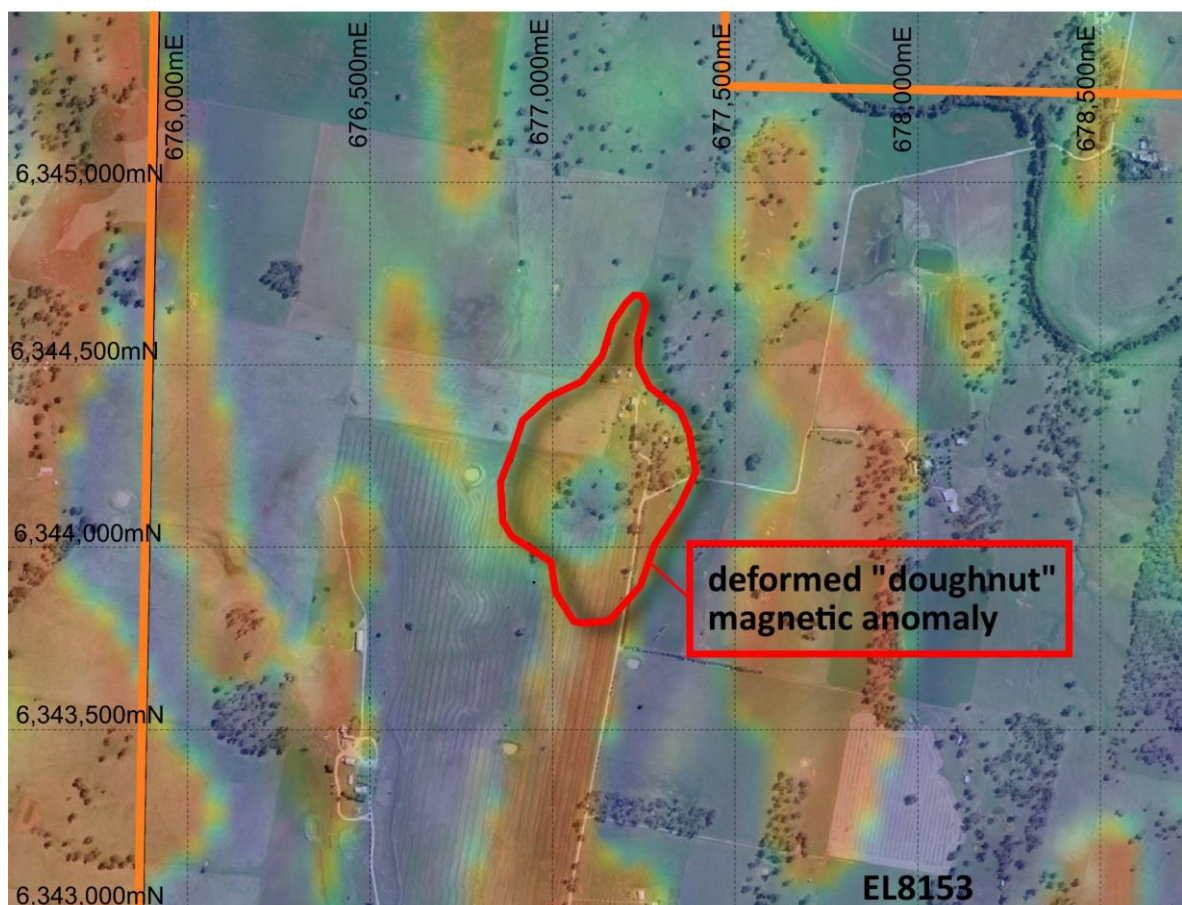


Figure 4: The Bella prospect, a deformed "doughnut" magnetic anomaly

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Appointment of technical consultants

The Company has compiled an experienced porphyry exploration and mining team through its appointments of long-established service provider Rangott Mineral Exploration Pty Ltd, highly experienced geologist and mining engineer Mr Ian Cooper and field logistics, land access and mining investment specialist Stephen Woodham. Krakatoa is pleased to be working with a highly experienced team to fast track exploration on the Belgravia Project.

Next steps

Since exercising the option to purchase the Project, the Company has lodged an application for approval of transfer of exploration licence with the Department of Planning, Industry and Environment, Division of Resources and Geoscience. This will enable registration of the exploration licence into the Company's name in a timely manner upon completion.

Completion of the transaction remains subject to the Company obtaining shareholder approval for the issue of the 10,000,000 ordinary shares at its upcoming annual general meeting to be held on 28 November 2019.

The Company has commenced planning for the next stage of ground-based exploration with its experienced NSW technical operations team.

Mt Clere Rare Earth Project

The Mt Clere Rare Earth Project comprises 3 tenement applications covering a total area of 1,079km², located approximately 200km northwest of Meekatharra, within the Gascoyne Region of Western Australia.

The Project potentially contains multiple mineralisation-styles, including:

- Rare earth elements (REE) and thorium in enriched monazite sands;
- REE ion adsorption on clays within the widely preserved deeply weathered lateritic profiles; and
- REE occurring in plausible carbonatites associated with alkaline magmatism.

Monazite [(REE) PO₄], an important ore for thorium, lanthanum, and cerium, represents one of three primary exploration targets within the Project. Importantly, the total REE₂O₃ contents within monazite range from 49.6 to 74.13 wt % and the average value is 64.31 wt %.

From 1995, exploration programs were completed by BHP, Astro Mining NL, and All Star Resources Plc, all of which delineated numerous prospective areas for thorium and REE mineralisation (refer to ASX announcement dated 19 June 2019).

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BHP

Between 1985-1987, a comprehensive programme of stream sediment sampling, heavy mineral sampling and mineralogical analysis across the eastern portion of the Mt Clere Rare Earth Project, targeting Pb-Zn-Ag mineralisation similar to that found at Broken Hill.

The ample presence of monazite in heavy mineral pan concentrates, with grades exceeding 50%, was confirmed in greater than 20% of the 176 samples and 47.4% of the samples returned a relative abundance exceeding 30% monazite. The samples also report varying levels of ilmenite and zircon.

Petrographic analysis of 20 samples sites across the Project area also confirmed the accessory occurrences of Allanite and Titanite, which are indicative of REE prospectivity.

Astro Mining NL

Between 2005 and 2006, Astro Mining explored the western portion of the Mt Clere Rare Earth Project for diamonds. Nineteen discrete, primitive, alkaline lamprophyres were located during their search, which involved stream sediment sampling and geological surveys.

Though no micro-diamonds were recovered by Astro, grain counts of mineral species in selected samples of heavy mineral concentrates produced extraordinarily high monazite (up to 48%) and very high zircon (up to 60%), ilmenite (up to 29%) and leucoxene (up to 20%). The results independently validate the thorium and REE prospectivity latent in the Project.

All Star Minerals Plc

All Star collected two large samples of alluvium in 2006 to produce a heavy mineral concentrate. Each concentrate was sent for analysis and microscopic mineral examination at Genalysis Laboratory Services. The two samples respectively returned 3% and 2% monazite, as well as 1.4% zircon, 40% and 44% ilmenite, and 9.9% titanium. Rare earth elements, cerium and lanthanum, reported at 0.46% and to 0.25%, respectively.

Seventy-seven samples were collected at a maximum depth of 1.8 metres from auger drilling in 2007. Of the 77 auger regolith samples taken, 55 returned an encouraging grade of over 50 ppm cerium, 30 returned a grade of over 50 ppm lanthanum, and 17 returned a grade of over 200 ppm zircon. Thirty-three (33) samples graded over 30 ppm neodymium, with highs of 360 ppm, 103 ppm, 102 ppm, 95.9 ppm, 87.6 ppm, and 82.6 ppm.

Whereas, sample EBA052 [506041 Z50E, 7184977 Z50N] recorded 320 ppm thorium, 660 ppm lanthanum, 37 ppm yttrium, 360 ppm neodymium, 112 ppm praseodymium, 43 ppm samarium. The results confirm the presence of monazite and other rare earths in the alluvium.

Stage 1 work program

During the quarter ended 30 September 2019, Krakatoa commenced its Stage 1 work program on the Mt Clere Rare Earth Project.

The Company completed compilation of legacy data and reprocessing the existing geophysical datasets using modern approaches and enhancements. This work assisted greatly in expanding and reshaping the project tenure as well as defining the key areas of focus in the reconnaissance field program.

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The reconnaissance field program was successfully completed during the quarter. A total of 52 stream sediment samples and rock chips were taken across the Project (see figure 5 below).

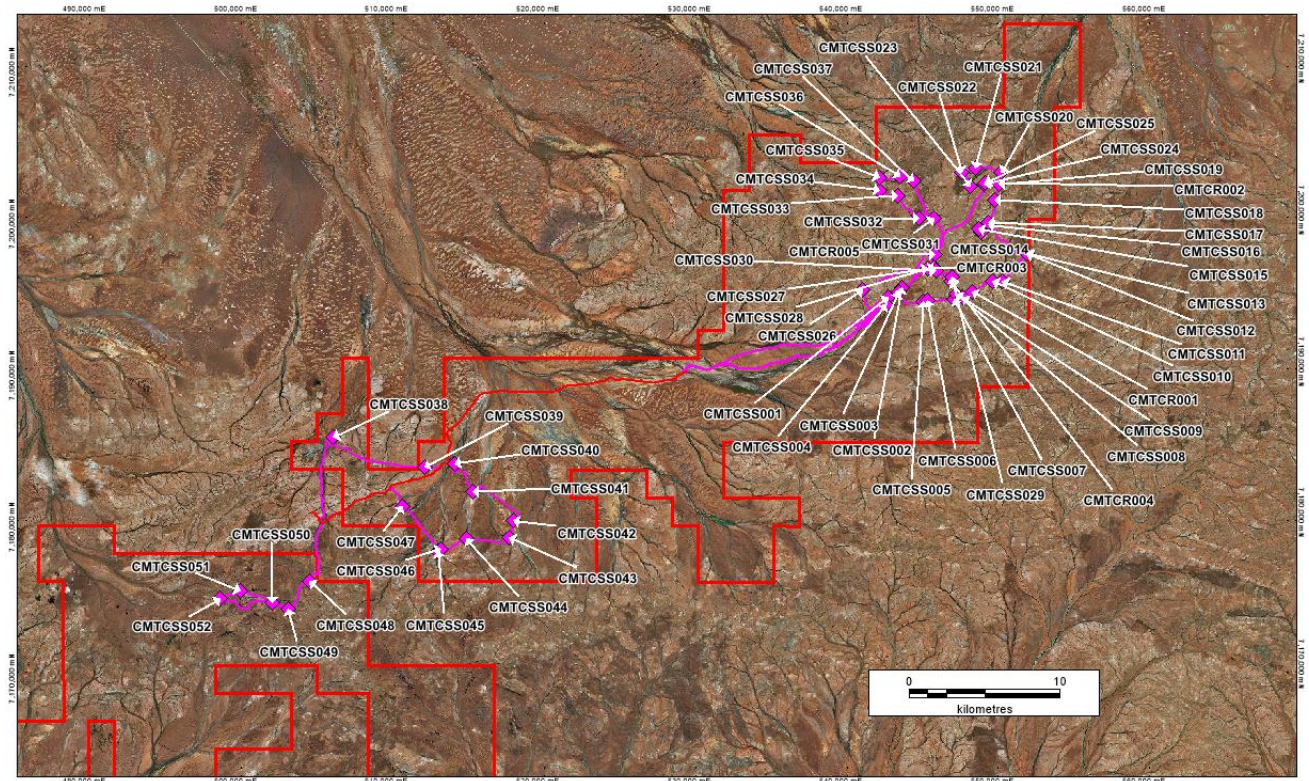


Figure 5: Sample Locations during reconnaissance field program

The samples were selected as part of the preliminary testing of multiple prospective targets, including:

- REE and thorium in enriched monazite sands contained within the vast drainage networks throughout the Project;
- REE ion adsorption on clays within the widely preserved deeply weathered lateritic profiles, largely occurring on a 15km x 2km ridge in the northeast of the Project; and
- Previously unmapped pegmatites noted in extensive quantities in the northern area of the Project.

The Company has submitted 9 samples for micro analysis. This testing will enable the Company to obtain an indication of the monazite, zircon and ilmenite composition with the heavy mineral fraction as well as plan for its next stage of testing prior to grant, anticipated to occur in quarter 1, 2020.

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Mac Well Project

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. The Company considers favourable structural conditions for gold mineralisation are likely within the Mac Well tenement, acknowledging the significance and prospectivity of the western granite-greenstone contact, as evidenced by the Western Queen Mine. In addition, WMC's historical gold prospectivity model for the Warda Warra Greenstone Belt identified the importance of northeast-trending lineaments, such as the Stewart and Western Queen Zones, as a critical control on gold mineralisation within the belt.

No work was conducted on the Mac Well Project during the September 2019 quarter.

Dalgaranga Project

The Dalgaranga Project is located 80km north-west of Mount Magnet in Western Australia and lies within the Dalgaranga Greenstone Belt. The Dalgaranga Greenstone Belt is about 50km long and up to 20km wide and contains gold mineralisation (Dalgaranga gold mine), a zinc deposit (Lasoda), graphite deposits, and occurrences of tantalum, beryllium, tin, tungsten, lithium and molybdenum related to pegmatites. The Company has concluded that the Dalgaranga Project is prospective for base metal mineralisation, as it lies along strike from the Lasoda VMS mineralisation, contains the right rocks (west of the knotted schists exposed in the open pit) and contains an EM conductor in the south of the property that is, in-turn, supported by coincident lead soil geochemistry.

No work was conducted on the Dalgaranga Project during the September 2019 quarter.

Corkill-Lawson Project

The Corkill-Lawson Project is located in the Gowganda area of north-eastern Ontario, covers a 3.2km strike of Nipissing Diabase and is 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.

During the September 2019 quarter, the Company reviewed the Corkill-Lawson Project in light of significantly improved silver prices over the past 6 months.

Previous geophysics reprocessing work conducted by the Company and announced to ASX on 2 July 2018, identified multiple cobalt-silver targets. A review of these targets has concluded that 2 high priority anomalies warrant further investigation:

- 1) A very strong VTEM anomaly closely associated with the previous Klondike drilling where HCL0701 intersected 2,393g/t Ag, 0.31% Co and 0.46% Cu over 0.41m from 99.97m. Modelling of this target suggests it was not intersected by the previous Klondike drilling.
- 2) A very strong VTEM anomaly which has been modelled as a large flat lying plate approximately 225 x 60m in size at approximately 100m depth, which may represent a sill. It lies approximately 200m east of the magnetic Nipissing Diabase which is interpreted to dip to the east.

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The Company has been in discussions with its local exploration consultant, Canadian Exploration Services Limited, to dummy the historical drill holes in order to determine feasibility of a down-hole EM program.

Corporate

On 28 August 2019, the Company completed an option placement pursuant to the Prospectus lodged with ASIC and announced to ASX on 13 August 2019. The Company has issued a total of 75,000,000 options exercisable at \$0.05 on or before 31 July 2021, to raise gross proceeds of \$75,000.

On 27 September 2019, the Company issued a total of 15,000,000 fully paid ordinary shares at an issue price of 2.2 cents pursuant to the Company's Listing Rule 7.1 capacity, to raise \$330,000 (before costs).

Subsequent to quarter end, the Company issued a total of 15,000,000 fully paid ordinary shares at an issue price of 5 cents pursuant to the Company's Listing Rule 7.1 and 7.1A capacity, to raise \$750,000 (before costs).

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 data 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 2019

Project	Tenement Licence	Interest held at at 30 June 2019	Interest acquired/ disposed	Interest held at 30 September 2019
Belgravia	EL8153	-	-	-*
Mt Clere	E52/3730	-	-	++
Mt Clere	E52/3731	-	-	++
Mt Clere	E09/2357	-	-	++
Mac Well	E59/2175	100%	-	100%
Dalgaranga	P59/2082	100%	-	100%
Dalgaranga	P59/2140	100%	-	100%
Dalgaranga	P59/2141	100%	-	100%
Dalgaranga	P59/2142	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	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	314208	100%	-	100%
Corkill- Lawson	314209	100%	-	100%
Corkill- Lawson	314210	100%	-	100%
Corkill- Lawson	314212	100%	-	100%
Corkill- Lawson	323368	100%	-	100%
Corkill- Lawson	335103	100%	-	100%
Corkill- Lawson	552682	100%	-	100%
Corkill- Lawson	552683	100%	-	100%
Corkill- Lawson	552684	100%	-	100%
Corkill- Lawson	552685	100%	-	100%
Corkill- Lawson	552686	100%	-	100%

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M: info@krakatoaresources.com



Project	Tenement Licence	Interest held at at 30 June 2019	Interest acquired/ disposed	Interest held at 30 September 2019
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%	-

* Completion of the acquisition remains subject to the Company obtaining shareholder approval for the issue of the 10,000,000 ordinary shares at its upcoming annual general meeting to be held on 28 November 2019.

+ Tenement applications subject to grant

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