

29 July 2020

June 2020 Quarterly Activities Report

Highlights

- **Shallow 2,358m aircore drilling program over the northern Bell Valley Target area from April 2020 highlighted:**
 - Anomalous "deep lead" gold (192ppb and 187ppb Au) intersected next to the Bella Target
 - Two pathfinder-enriched zones delineated – one substantial halo located at the Bella Target; the other adjacent to the Lara 1 and 2 Targets
 - Gold and copper enrichment increases to the south and at depth
- **Detailed aeromagnetic work completed at Belgravia confirms:**
 - Bell Valley: 6km length of prominent magnetic-low features. The juxtaposed feature contains the adjacent Copper Hill Deposit
 - Sugarloaf: large 1km x 1km magnetic low feature with characteristics of porphyry-style mineralisation
 - Several other prospective target areas
- **Approx. 25,000m of completed Deep ground penetrating radar (DGPR) reveals:**
 - Bell Valley: Several anomalous zones which include the previously announced Bella, Lara 1 and 2 anomalies and a new zone in the southwest
 - Sugarloaf: Two sizeable targets located within the magnetic low feature and capturing anomalous rock chips such as 5.19g/t Au and 1.73%Cu.
 - Turon: Two priority targets, one which directly corresponds with the historical mine sequence; the other, a deeper target (from 60m)
- **Historical data compilation across Turon uncovers multiple walk-up drill targets:**
 - Consistent high-grade rock chips up to 1,535g/t Au covering a strike of 1.6km and 2.4km respectively
 - Historical drilling remains untested e.g. 10m @ 1.74g/t Au from surface to EOH
- **Drill program focussed on shallow, high grade gold targets at Turon imminent**
- **Acquisition of the Rand Project via direct application covering 580km² in the Central Lachlan Fold Belt, NSW:**
 - Contains a 40km structural corridor
 - Captures the Bulgandra Goldfield which comprises several shallow mines which historically produced gold at very high grades (up to 265g/t Au)
 - Samples across limited outcrop returned significant results (up to 9.6g/t Au)
- **Completed placement of \$2.4m to professional and sophisticated investors in July**



ASX Code
KTA, KTAOC

Capital Structure

248,750,000 Fully Paid Shares
85,000,000 Options @ 5c exp 31/07/21
5,000,000 Options @ 7.5c exp 31/07/21
12,000,000 Options @ 10c exp 24/10/20

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Krakatoa Resources Limited (ASX: **KTA**) ("**Krakatoa**" or the "**Company**") is pleased to provide the following summary of activities conducted in the June 2020 quarter, which firmly focused on systematic exploration at the Company's 100% owned Belgravia and Turon Projects in the Lachlan Fold Belt, NSW.

Belgravia Project

Overview

The Belgravia Project covers an area of 80km² and is located in the central part of the Molong Volcanic Belt (MVB), Lachlan Fold Belt, NSW. It contains the same rocks (Fairbridge Volcanics and Oakdale Formation), or their lateral equivalents, that respectively host the giant Cadia-Ridgeway mine 35km south and Alkane Resources' Boda discovery 65km north. Historical exploration at Belgravia has failed to adequately consider the regolith and tertiary basalt (up to 40m thick) that obscures much of the prospective geology. The Project contains six targets with considerable exploration potential for porphyry Cu-Au and associated skarn mineralisation.

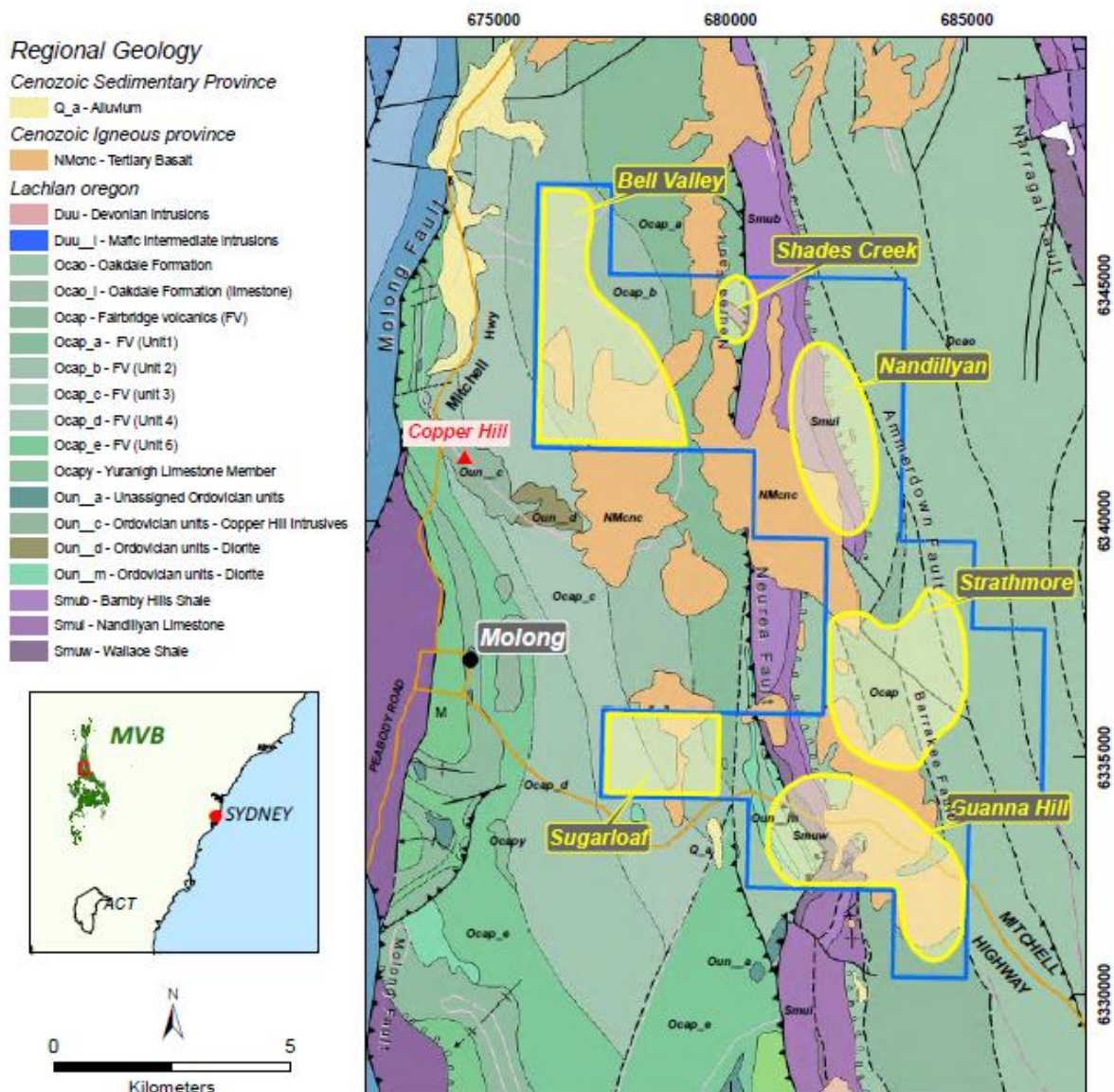


Figure 1: Belgravia Exploration Target Areas

Aircore program – Belgravia Project, Bell Valley Target Area

Results from the drilling program, comprising of 128 inclined holes for a total of 2,358 metres at an average depth of 18m, over the Bell Valley Target, were received by the Company in April 2020. Drilling was to blade refusal, spaced at 100m along lines with 200m spacing between lines. The drilling objective was to:

- test beneath Tertiary basalt; and,
- locate patterns of zoned alteration and mineralisation halos related to porphyry-style gold and copper systems, like that found at Cadia.

Gold and multielement assay results from the aircore drilling program were announced on 22 April 2020 and interpreted to have further heightened the prospectivity of the Bell Valley area. Key findings from the program were:

- Two gold highs, 0.192 ppm Au (Hole BVAC096) and 0.187 ppm Au (Hole BVAC118) occur in lenses of quartz-rich gravels located beneath tertiary basalt. A source for the 'deep-lead' gold must lie south of the existing drill grid and is potentially obscured by a thick sheet of Tertiary basalt.
- The intersected mineralisation and propylitic alteration assemblage featuring epidote, chlorite, Fe-carbonate, calcite, and hematite-dusting is consistent with that observed in the nearby Mount Isa Mine's Larras Lake 1995 drilling, and is also known to be associated with mineralisation at Cadia. The returned gold results matched expectations for this type of drilling program which is typical for this region (where $\geq 0.1\text{g/t}$ Au is considered anomalous in a bedrock context).
- Reporting levels in gold, copper and several pathfinder elements, including bismuth, lead, zinc, arsenic and molybdenum form a coincident SSE-trend across the drill grid. The trend coincides with the magnetic-low feature known to control mineralisation elsewhere (e.g. Copper Hills). They are greatest adjacent to identified monzodiorite bodies and along the western margin of the Bella Target (refer to Figures 1 and 2).
- Multielement geochemistry supports the southern parts of the Bell Valley area as being more prospective with gold and copper abundance increasing to the south and at depth
- Revealed prospective stratigraphy beneath the basalt and other regolith outline two distinct zones of monzodiorite intrusion and (high potassium) shoshonitic intrusive and volcanic rocks known to be closely related to certain types of gold and base metal deposits, including epithermal Au and porphyry Cu-Au deposits. The returned anomalous geochemistry is tied to these zones.

Aeromagnetic program - Belgravia Project

Successful outcomes from the high-resolution drone survey at Bell Valley saw the Company swiftly complete a high-resolution aeromagnetic survey across the entire Belgravia Project.

The detailed aeromagnetic survey interpretation highlighted the significant gold-copper porphyry potential in the Bell Valley Target Area, within the Belgravia Project:

- Contains a considerable portion of the Copper Hill Intrusive Complex, the interpreted porphyry complex which hosts the Copper Hill deposit
- The Copper Hill deposit and several prospects in the adjoining tenement sit within a regional magnetic low support the prospectivity of similar features within the Bell Valley Target Area
- The Company has a similar magnetic low feature spanning 6km in the Bell Valley Target Area with its existing prospects situated within or proximal to this feature

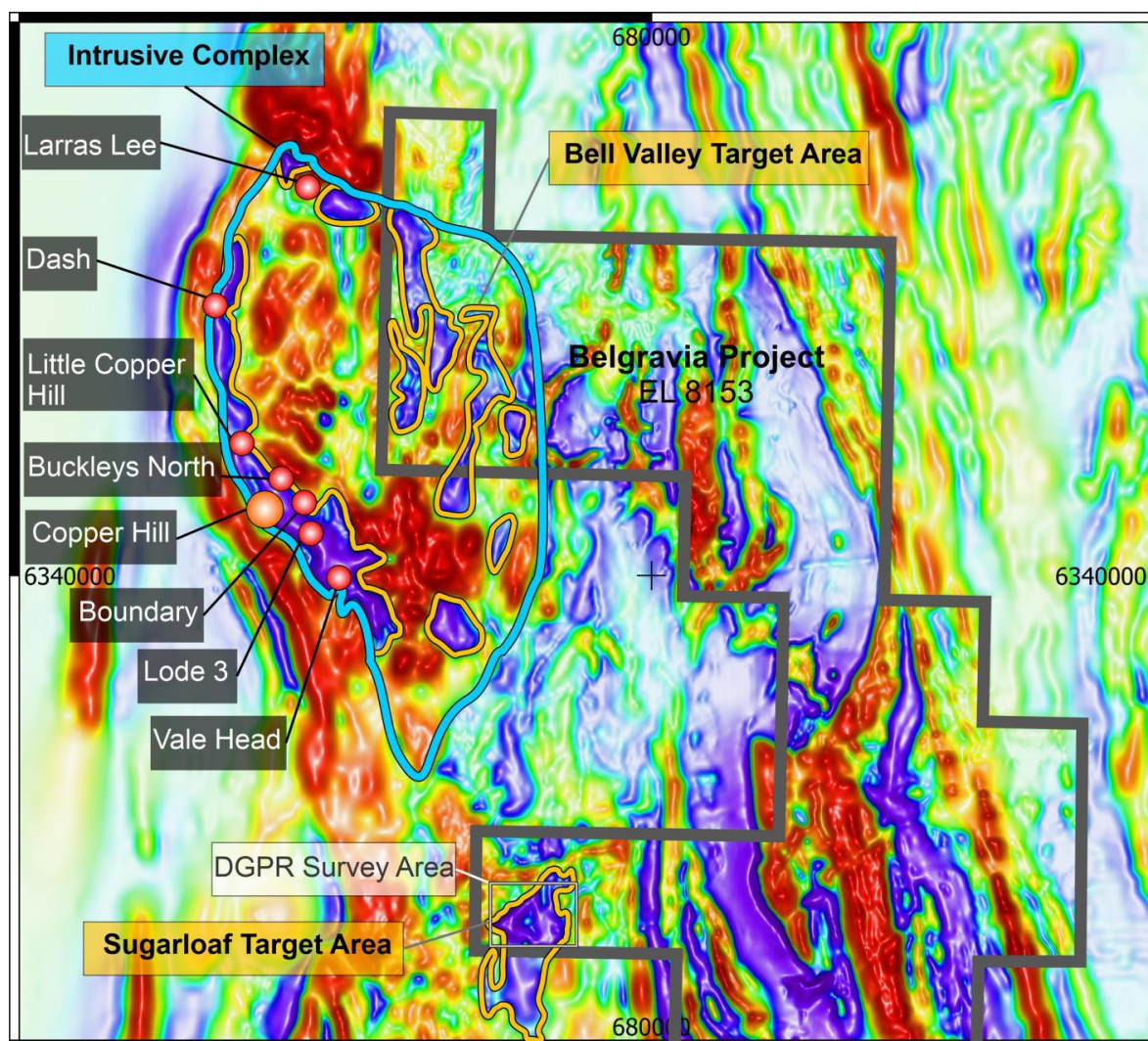


Figure 2: Processed Aeromagnetic Imagery & Interpreted Magnetic Low Target Features

Similar prospective magnetic lows lie adjacent to several other Belgravia targets, including Sugarloaf, where there is a large 1km x 1km magnetic low feature with the characteristics of porphyry-style mineralisation.

DGPR program – Belgravia Project, Bell Valley Target Area

A deep ground penetrating radar ("DGPR") survey was completed during the June 2020 quarter at Belgravia. The objective was to map the sub-surface geology and provide evidence of favourable hosting environments for mineralisation. The survey acquired a total of 15,373 line metres across 13 lines at Bell Valley. The surveyed lines were designed to lie over earlier shallow aircore drilling, which could then be used to assist and constrain the interpretation in tandem with geological, structural, and surface geochemical data.

DGPR results for Bell Valley were announced after the period end with several anomalous zones revealed. Three of the composite DGPR anomalies lie over or adjacent to previously delineated and reported interpreted porphyry-style Bella and the Lara 1 and 2 targets.

The anomalies at Bella and the Lara 1 and 2 coincide directly with drill-indicated mineral alteration and anomalous multielement geochemistry, key geological features including interpreted structure or lithological contacts, interpreted discrete magnetic features, including the low magnetic signature which is observed to control or influence the location of mineralisation at the Copper Hill deposit and several additional prospects. Drill-indicated gold mineralisation in quartz gravels preserved beneath Tertiary basalt coincides with the western DGPR anomaly and lies just north (downstream) of the actual (eastern) Bella anomaly. A composite DGPR anomaly also lies in the southwest of the Bell Valley target area, proximal to Copper Hill.

The Company considers the economic potential for copper-gold mineralisation associated with a porphyry in the Bell Valley area may lie at depth (>200m) and the DGPR supports high-grade copper-gold veins potentially extending upwards from a porphyry source forming a secondary target at shallower levels. An induced polarisation (IP) survey to locate zones of sulphide mineralisation as detected by DGPR, is next planned at Bella and the Lara's. The IP will focus future diamond drilling at these prospects.

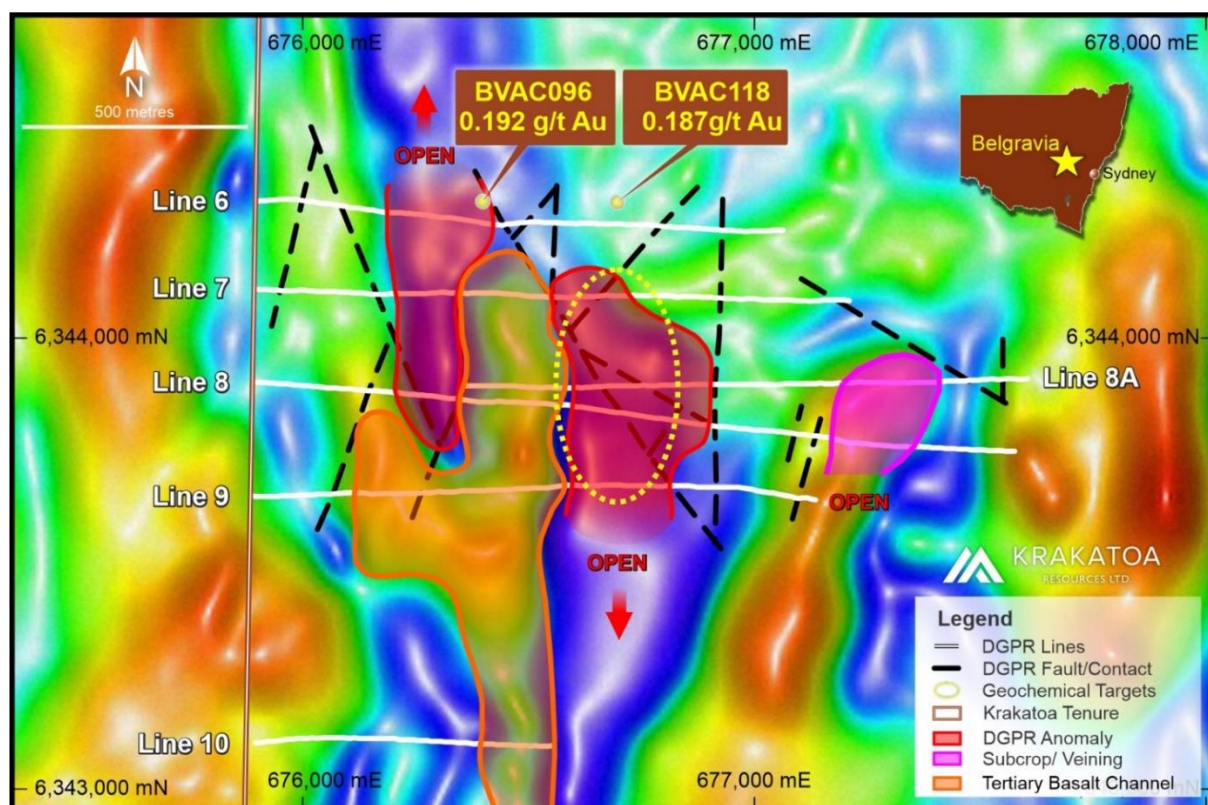


Figure 3: DPGR survey (white lines) across the Bella Target Area with composite representation of DGPR anomalies (red polygons) exhibiting the significant correlation with geochemistry, geological structure and the magnetic low feature known to control mineralisation.

DGPR program – Belgravia Project, Sugarloaf Target Area

A DGPR survey totalling 5,810m across 5 lines at Sugarloaf was completed during the June 2020 quarter.

The DGPR identified seven anomalies, forming two separate polygons striking over 900m and 500m respectively. The DGPR results support the previously recognised prospectivity and solidifies the area as drill-ready, noting the interpreted polygons:

- Are located within a distinctive magnetic low feature considered characteristic of a porphyry-style deposit such as the Copper Hill (890koz Au & 310kt Cu)¹
- Capture previously announced anomalous rock chips, including the float sample grading 5.19g/t Au and 1.73% Cu
- Include significant interpreted faults and shears featuring recognised proximal alteration (silica-flooding and jasperoid)
- Coincident with a previously identified NE-trending linear feature

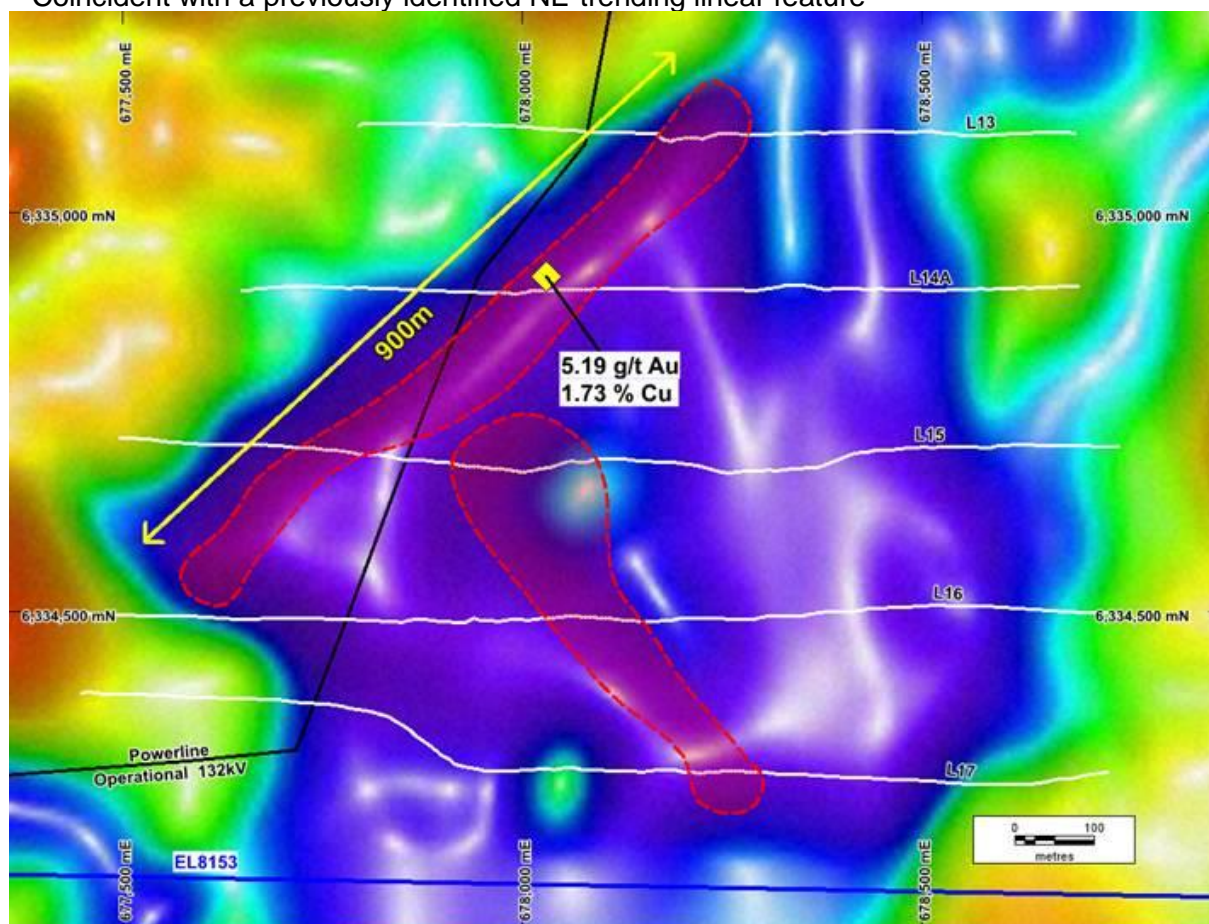


Figure 4: DPGR survey (white lines) across the Sugarloaf Target Area with composite representation of DGPR anomalies (purple polygons)



Figure 5: Sample IC200323-10 - assaying 5.19g/t Au and 1.73% Cu, and comprising quartz–epidote–malachite–chalcocite–chalcopyrite veining.

Turon Project

Overview

The Turon Project covers an area of 120km². It is situated approximately 50km east of the Company's Belgravia Project and 60km northeast of Newcrest Mining's Cadia Valley Operations, in the Hill End Synclinal Zone, NSW. The geology at Turon bears many similarities in terms of host-rocks, structural- and mineralisation-style to other high-grade turbidite-hosted gold deposits, including Fosterville in the Bendigo-Ballarat zone, central Victoria.

Historical review

A detailed review of historical work during the June 2020 quarter noted the Turon Project contains at least two separate north-trending reef systems in Quartz Ridge and Box Ridge. Each comprises numerous historic showings developed as shafts, adits and drifts that strike over 1.6km and 2.4km respectively.

The Quartz Ridge line of gold workings extend over a length of 1.6km from its namesake mine situated in the northern extremes to the Dead Horse Reef Mine in the south. Vein quartz, up to 10m wide, forms a north-south strike ridge conformable with the adjacent metasediments of the Cunningham Formation, including siltstones, slates, greywackes, and conglomerate. The Dead Horse Reef Mine contains an adit approximately 130m long.

Past explorers report numerous significant gold grades from chip and mullock sampling along the length of the gold workings, including 1,535g/t, 135g/t, 26g/t, 14.6g/t, 12.55g/t and 11.3 g/t Au. The outstanding chip result of 1,535g/t gold lies south of Dead Horse Reef and remains untested by drilling. Thirty-year-old historical RAB drilling completed north of the Quartz Ridge Mine, reported several highly anomalous gold intercepts with results up to **10m @ 1.64g/t gold from the surface to end of the hole**. All holes were sampled throughout their developed length as a single composite sample of 10m, and the anomalous results remain untested to this day.

The Box Ridge line of gold workings strikes over 2.4km with the Company's focus on the Britannia mine in the south where:

- ~10,000oz of gold was produced over a small area implying the presence of high-grade gold mineralisation
- BHP drilled three vertical holes (for 199m), and extensively sampled surface and underground workings, mullock and chip sampling all veining and host lithologies in the late 1980s
- Chip samples along adit walls by BHP outlined a coherent remnant zone (approximately 20m in strike) of high-grade mineralisation with five samples exceeding 2.5g/t, including 4.46g/t, 6.87g/t, 10.2 g/t and a peak value of 60g/t Au.

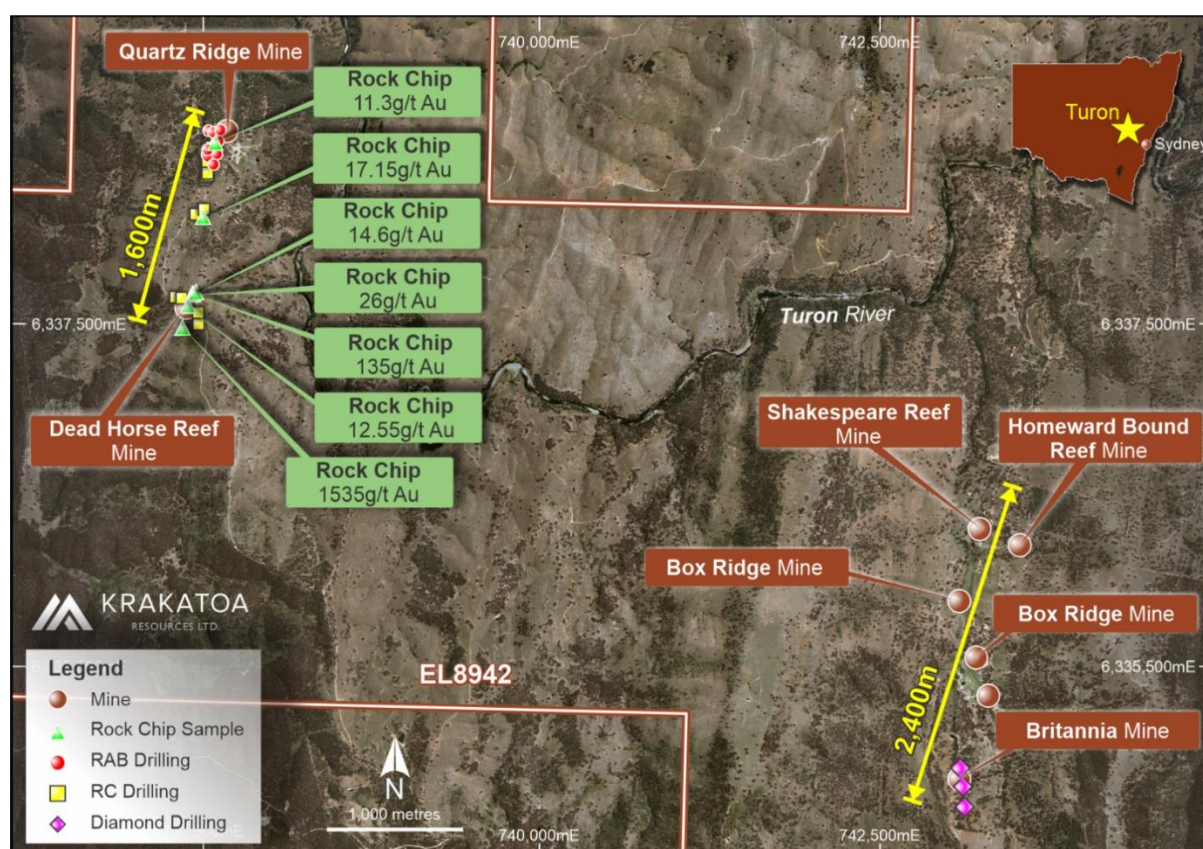


Figure 6: Quartz Ridge line of workings and its relation to the Box Ridge line of workings

DGPR program – Turon Project, Britannia Mine

The DGPR survey completed in the June 2020 quarter at Britannia comprised eight lines for 3,448 metres. Interpretation across Britannia prospect identified two critical DGPR anomalies thought to coincide with structurally controlled quartz veining. Their relative depth distinguishes the anomalies with a shallower anomaly that directly corresponds with the historic Britannia workings, and a deeper anomaly offset from the known mineralisation which remains untested.

The Britannia anomaly (green hatching) immediately north of the mine is offset to the west by between 50 to 75m. Drag movements along fault planes are implied within the DGPR response offsetting the target zone and any contained mineralisation. Interestingly, BHP drilling may validate this interpretation as the central hole TD1 intersected mineralisation, whereas holes TD2 and TD3 both missed.

The deeper anomaly (red hatching), which coincidentally is considered as the stronger of two, perhaps represents a parallel system that remains open in all directions and is untested by modern exploration with no evidence of historical mine workings or prospecting. The length of the identified structure exceeds 300m and ranges in width from less than 5m and up to 40m.

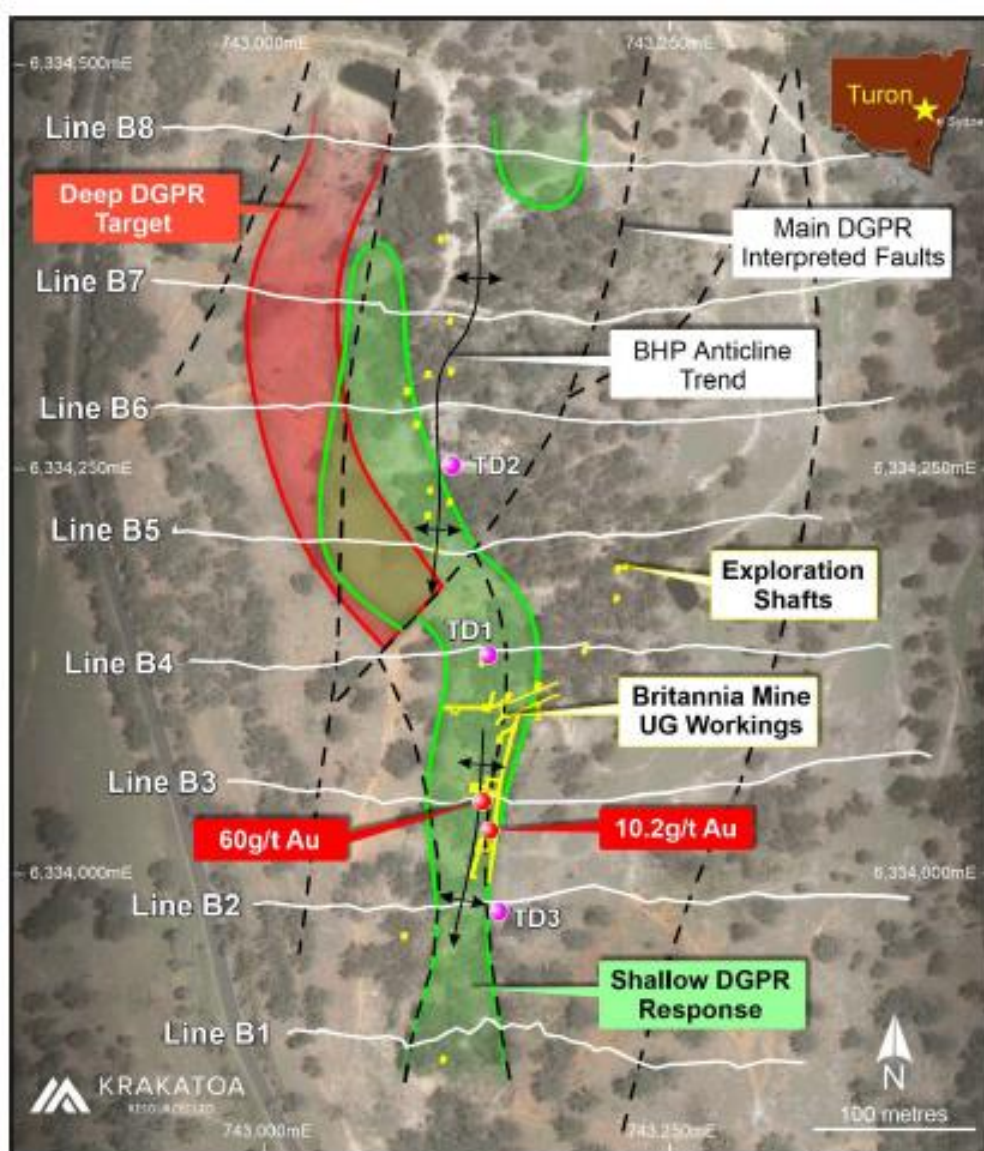


Figure 7 - Britannia Mine DGPR Survey interpretation, Turon Project

Proposed drill program - Turon

Quartz Ridge and Box Ridge at Turon represent exciting shallow exploitable opportunities for the Company where multiple walk-up drill targets with significant historical gold tenor are known.

On 1 July 2020, the Company announced that it had lodged an application with the NSW Resources Regulator to conduct a diamond drill program at its 100% owned Turon Project. The proposed drill program seeks approval for up to 1,770m of diamond drilling at several exciting shallow gold targets situated within the Box Ridge and Quartz Ridge line of workings.

The Company has received drilling approval from the NSW Resources Regulator. A drilling contractor has been appointed and ground preparations are underway with drilling scheduled to commence in early August.

Rand Project

The Company considerably expanded its landholding in the Lachlan Fold Belt procuring the Rand Project through direct license application, which includes four contiguous exploration licence applications (ELA5982, ELA5985 ELA6012 and ELA6013). It covers a combined area of 580km², and is located approximately 60km NNW of Albury in southern NSW. The Project contains a 40km structural corridor with the prospective geology largely masked by colluvium. Gold mineralisation is associated with emplacement of the I-type Jindera granite, which is mostly captured by project.

The captured historical Bulgandra Goldfield demonstrates the prospectivity for shear-hosted and intrusion-related gold. Production records from the Show Day and Welcome Find reefs at Bulgandra respectively show substantial gold grades, including 512oz from 60 tons and 70oz from 74 tons, being won from the exposed quartz veins.

Rock samples across limited outcrop returned significant results including:

- 9.60g/t gold, 31g/t silver (Welcome Find Reef)
- 6.90g/t gold and 6.50g/t gold (Show Day Reef)
- 4.13g/t gold (Goombargana Hill)

The known workings occur on small windows of deeply weathered and extensively leached bedrock which crop through the blanketing sediments (Figure 8). Past exploration has concentrated on the areas of outcrop and was limited to the Show Day and Welcome Find Reefs. The Lone Hand and Goodwood Reefs have not been explored since their original closure pre-1902.

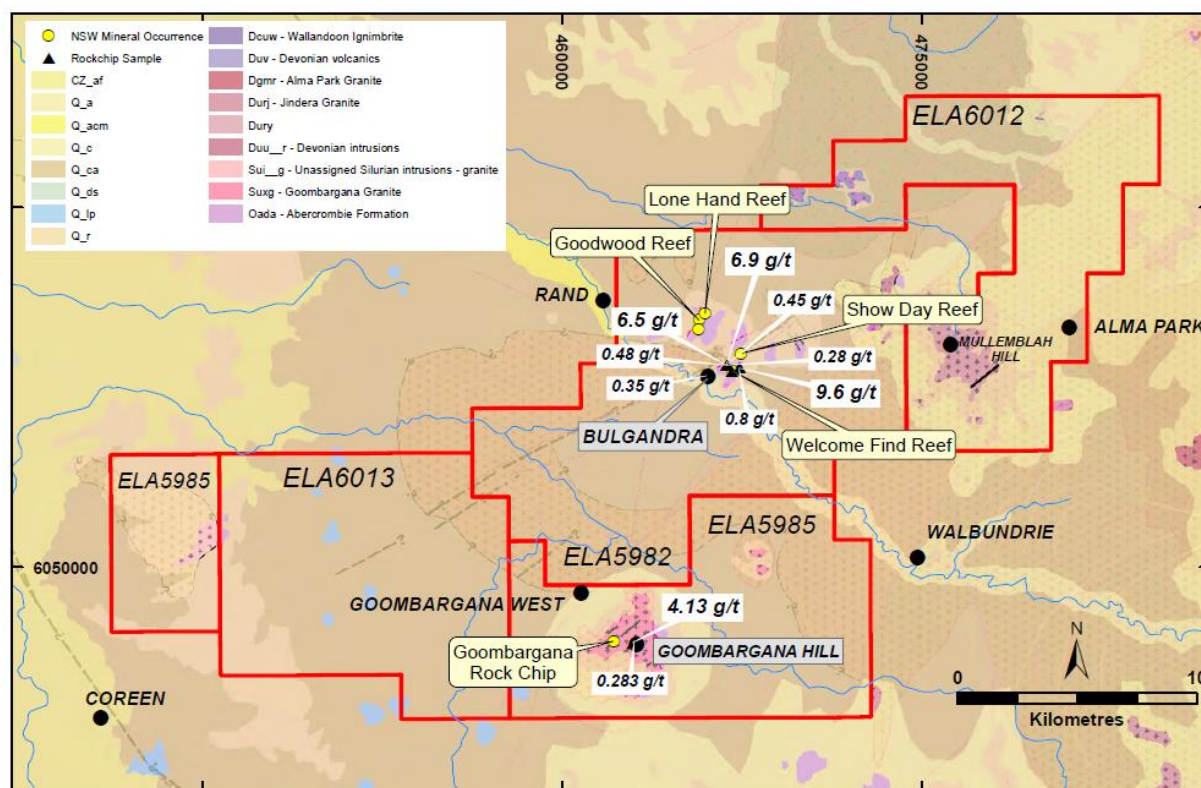


Figure 8 – Project geology, historical workings and chip sampling, Rand Project.

Mt Clere Rare Earth Project

The Mt Clere Rare Earth Project comprises four tenement applications covering a total area of 1,153km², 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.

Previous 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).

No field work was conducted on the Mt Clere Project during the June 2020 quarter.

Dalgaranga Project

The Dalgaranga Project is located 80km northwest 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. No work was conducted on the Dalgaranga Project during the June 2020 quarter.

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. No work was conducted on the Mac Well Project during the June 2020 quarter.

Corporate

On 14 July 2020, the Company raised \$2,400,000 through the issue of 30,000,000 ordinary shares at \$0.08 per share.

Exploration

ASX Listing Rule 5.3.1: Exploration and Evaluation Expenditure during the Quarter was \$340k. Exploration during the quarter largely comprised aircore drilling, aeromagnetics, deep ground penetrating radar and data compilation - full details of activity during the Quarter are set out above.

ASX Listing Rule 5.3.2: There were no mining production and development activities during the Quarter.

Related Party Payments

Pursuant to item 6 in the Company's Appendix 5B – Quarterly Cashflow Report for the quarter ended 30 June 2020, the Company made payments of \$65k to related parties which relate to existing remuneration arrangements (director fees and superannuation).

Authorised for release by the Board.

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.

Appendix 1 - Details of Tenements Held on 30 June 2020

Project	Tenement Licence	Interest held at at 31 March 2020	Interest acquired/ disposed	Interest held at 30 June 2020
Belgravia	EL8153	100%	-	100%
Turon	EL8942	100%	-	100%
Rand	ELA5982	-	-	+
Rand	ELA5985	-	-	+
Rand	ELA6012	-	-	+
Rand	ELA6013	-	-	+
Mt Clere	E52/3730	-	-	+
Mt Clere	E52/3731	-	-	+
Mt Clere	E52/3836	-	-	+
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%
Dalgaranga	E59/2389	-	-	+

+ Tenement applications subject to grant