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Diamond Drill Program Update, Turon Gold Project

- ***Diamond drill program at the Turon Gold Project, Lachlan Fold Belt progressing smoothly:***
  - ***2 drill holes (BD001 and BD002) at Britannia Mine complete***
  - ***Drill rig mobilised to Quartz Ridge, drill hole QRD001 has commenced***

- ***Positive indicators for mineralisation returned in both holes at Britannia:***
  - ***Broad zones of significant quartz veining, pervasive sericite alteration and disseminated pyrite-arsenopyrite***
  - ***Prominent vein quartz reef intersected, interpreted as representing Nobby's Reef, a historically noted gold-bearing quartz reef***
  - ***2 subparallel vertical faults intersected, interpreted as the controlling structures for mineralisation at the Britannia Mine also intersected in both holes***

- ***Alteration-style encountered at the Britannia Mine similar to shear-hosted gold deposits such as Spring Gully, 10km east of Turon***

Krakatoa Resources Limited (ASX: KTA) ("Krakatoa" or the "Company") advises that drill testing of Deep Ground Penetrating Radar (DGPR) targets at the historical Britannia Mine is complete and that drilling has moved to test the nearby Quartz Ridge gold targets. Both Britannia and Quartz Ridge lie within the Company's 100%-owned Turon Project located near Bathurst in NSW. Turon lies within the Lachlan Fold Belt's Hill End Trough, a north-trending elongated pull-apart basin containing sedimentary and volcanic rocks of Silurian and Devonian age.

Two targets were delineated in an earlier DGPR survey with a shallow response directly corresponding with the mineralised Britannia mine sequence and a second deeper, offset target not previously explored (see June 23 ASX - Shallow Gold Targets Outlined at Britannia Mine, Turon Project). Two diamond drill holes were developed with both logged and sampled.

Hole BD001 intersected two subparallel faults, both previously mapped in the Britannia underground and believed responsible for high-grade gold mineralisation within the mine. The eastern fault was intersected ~140m downhole, while the western fault was hit at ~171m. The rocks inbetween comprised pervasively sericite altered sandstone with up to 25% vein quartz, 5% disseminated pyrite and minor arsenopyrite. Persistent sericite alteration and more abundant pyrite with variable levels of arsenopyrite mineralisation were observed outside this main interval. The vein quartz intersected between 38.7 and 41.3 (Table 1) is interpreted as representing Nobby's Reef, a noted gold-bearing quartz reef in the Box-Ridge area.

BD002 approx. 150m north of BD001, also intersected the two subparallel faults, The eastern fault was intersected ~154m downhole with pervasively sericite altered quartz sandstone present in close proximity, while the western fault was hit at ~169m. Hole BD002 displays characteristics of being in a more deeply

weathered zone than BD001 with significant amounts vein quartz (up to 80%) in highly fractured sandstone intersected prior to reaching the top of fresh rock at ~105m (Table 2).

The mineralisation style at Britannia is reminiscent of Spring Gully, 10km east of Turon, where gold-bearing arsenian pyrite and arsenopyrite is hosted in sheared sandstones and siltstones.

Krakatoa's Executive Chairman, Colin Locke, stated, "We are encouraged by the conjunction between the pervasive sericite alteration, quartz veining and sulphide mineralisation with key structures associated with high-grade gold in the adjacent Britannia mine and anticipate assay support for further drilling on the historical workings. Highly anticipated first return assay results are expected in around 3 weeks."

Figure 1 Diamond Drilling DGPR Targets, Britannia Mine

Table 1: Summary Log BD001

MGA94 zone 55 743126.7mE 6334189.7mN 687.3RL -50° to 277.1° MGA

Interval (m)	Comments
0 to 2.8	Drill pad and soil
2.8 to 13.5	Sandstone with siltstone interbeds
13.5	Base of complete weathering
13.5 to 38.7	Sandstone with siltstone interbeds. Up to 20% vein quartz
38.7 to 41.3	Vein quartz reef + iron oxide + sandstone
41.3 to 59.3	Moderately weathered sandstone. Weak sericite alteration, weak quartz veining
59.3 to 60.4	Vein quartz reef + iron oxide + sandstone
60.4 to 75	Slightly weathered sandstone with weak sericite alteration
75	Top of fresh rock
75 to 125.3	Pervasively sericite altered sandstone. Up to 25% vein quartz. Up to 15% disseminated pyrite
125.3 to 131.45	Shale
131.45 to 133.5	Sericite altered sandstone + vein quartz.
133.5 to 139.65	Shale
139.65	Sinistral fault. Orientation unclear
139.65 to 157.6	Pervasively sericite altered sandstone. Up to 25% vein quartz. Up to 5% disseminated pyrite. Minor arsenopyrite.
157.6 to 159.5	Shale. Sericite altered
159.5 to 170.9	Pervasively sericite altered sandstone. Up to 10% vein quartz. Minor disseminated pyrite +/- arsenopyrite.
170.9	Sinistral fault. Orientation unclear.
170.9 to 201.3	Thinly bedded shale and siltstone. Weak sericite alteration. Up to 2% pyrite.
201.3	End of Hole

Table 2: Summary Log BD002

MGA94 zone 55 743128.9mE 6334344.6mN 683.6RL -50° to 283.1° MGA

Interval (m)	Comments
0 to 7.5	Massive sandstone and vein quartz. Up to 80% vein quartz.
7.5 to 40.8	Sandstone with minor conglomerate
40.8 to 46.55	Vein quartz reef + iron oxide + sandstone with up to 80% vein quartz
46.55 to 50.6	Mudstone with up to 70% vein quartz
50.6 to 62.2	Sandstone with up to 25% vein quartz
62.2 to 90.3	Sandstone with up to 35% vein quartz
90.3	Base of complete weathering
90.3 to 105.3	Slightly weathered sandstone with strong sericite alteration. Up to 15% vein quartz
105.3	Top of fresh rock
105.3m to 109.5	Thinly interbedded sandstone and siltstone. Strong sericite alteration
109.5 to 120.5	Pervasively sericite altered quartz sandstone
120.5 to 142	Thinly interbedded shale and siltstone. Moderate sericite alteration
142 to 154.5	Thinly interbedded shale and siltstone. Patchy sericite alteration
154.5	Fault. Orientation unclear
154.5 to 169.3	Thinly interbedded shale and siltstone.
169.3	Fault. Orientation unclear.
169.3 to 209.8	Thinly bedded shale and siltstone. Patchy sericite alteration. Up to 2% pyrite
209.8	End of Hole

Authorised for release by the Board.

FOR FURTHER INFORMATION:

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Disclaimer

Forward-looking statements are statements that are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to statements regarding future production, resources or reserves and exploration results. All of such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include, but are not limited to: (i) those relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations, (ii) risks relating to possible variations in reserves, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined, (iii) the potential for delays in exploration or development activities or the completion of feasibility studies, (iv) risks related to commodity price and foreign exchange rate fluctuations, (v) risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities, and (vi) other risks and uncertainties related to the Company's prospects, properties and business strategy. Our audience is cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof, and we do not undertake any obligation to revise and disseminate forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of or non-occurrence of any events.

Competent Persons Statement

The information in this announcement is based on and fairly represents 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 Project. 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.

JORC Code, 2012 Edition – Table 1 report template

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg' reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• Industry-standard work completed • HQ diamond hole logged in geological intervals of various widths • Holes BD001 and BD002 were marked up in metre intervals with RQD's performed on each interval and core loss recorded • Hole sampled mostly in metre increments, as half core, except when against geological boundaries, where the intervals were variable and generally < 1m • Magnetic susceptibility was collected per increment and quality assurance was achieved through the insertion of certified standards
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• HQHC diamond drill core • Core orientation was gathered via Reflex ACT tool • BD001 collar oriented -50° towards 277.1° MGA • BD002 collar oriented -50° towards 283.1° MGA
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• Core was transported to Rangott's Orange offices where it was laid out and cleaned in preparation for markup, geotechnical and geological logging before cutting and sampling • Geological recoveries were generally very good with some core loss occurring within the drill hole, generally in the weathered upper sections of the hole
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	• The holes have been logged both geologically and geotechnically to a level satisfactory for ore reserve estimation or related studies

Criteria	JORC Code explanation	Commentary
	• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• Standard practices were adopted • The core was cut and sampled as half core • Zones of sericite alteration, quartz veining and sulphide mineralisation were sampled • Shale zones were not sampled as these were not altered and affected by the mineralising fluids • Certified assay standards were inserted at various points in the assay stream • Four standards were inserted: 2 x OREAS62C and an OREAS66A and 22F • Sample sizes were appropriate
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• Samples have been dispatched and are awaiting sample preparation and assay
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Preliminary exploration drilling, no verification necessary
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Hole collar GPS positioned MGA Z55 • -50° to 277.1° MGA and 283.1° MGA • Electronic hole orientation via Reflex ACT • Topo off GPS/Reflex

Criteria	JORC Code explanation	Commentary
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• Reconnaissance level exploration
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• Holes were developed at a high angle (subparallel) to the dip of the geology • The rugged topography restricted pad development to support drilling • The orientation will extend all geological intervals and introduce some bias in any results returned from the work
Sample security	• *The measures taken to ensure sample security.*	• The collection and transport of core, geological markup, logging and sampling of core, and its dispatch was all managed by the Company's consultants, Rangott Mineral Exploration
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• No reviews completed

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• The Turon Project (EL5882) is held by Krakatoa Australia Pty Ltd, a wholly owned subsidiary of Krakatoa Resources Ltd • The company holds 100% interest and all rights in the Turon Project
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• Work completed by BHP and the Company was discussed previously (see market releases)
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The Turon application is situated in the Hill End Trough, north of the Bathurst Batholith. It straddles the moderate to tightly folded, north-plunging Tripleys Creek Anticline. The various domains are comprised of Devonian and Silurian sediments intercalated with felsic volcanic and volcaniclastic rocks, and minor limestone, which rest on Ordovician rocks. • A number of mineral deposit styles are present in the Hill End Trough. Styles include: orogenic gold (and base metal) vein systems; stratabound base metal sulphide mineralisation associated with Silurian felsic volcanism; lead–zinc and iron skarns of various ages; intrusive related molybdenum and tungsten mineralisation related to Carboniferous fractionated granites; Permian epithermal silver–lead–zinc and skarn-type mineralisation, and auriferous placer deposits.

Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:*
	  ○ *easting and northing of the drill hole collar*
	  ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar*
	  ○ *dip and azimuth of the hole*
	  ○ *down hole length and interception depth*
	  ○ *hole length.*
	• *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the*
		• A further report will document the impact of the hole orientation and dip on the results when they are receivedThis update simply advises drilling at Britannia is complete and that the rig has relocated to Quartz Ridge
		• Collar information and a geological summary of the developed holes (BD001 and BD002) is presented within the body of the announcement

Criteria	JORC Code explanation	Commentary
	understanding of the report, the Competent Person should clearly explain why this is the case.	
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• Holes logged to geological intervals and sampled mostly on metre intervals • Specific intervals comprising unaltered shales were cut but not sampled for assay • No aggregation of the sampling was performed for the submitted samples • Assay results are pending
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	• Will be confirmed upon receipt of the assay results
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• The pertinent maps for this stage of project are included in the release. • Co-ordinates in MGA94Z55
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• The update presents an accurate summary of observations made on the first two complete diamond holes (BD001 and BD002) developed at the historical Britannia Mine
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• The previously generated and announced DGPR anomalies are being targeted by diamond drilling
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Further work is results dependent