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6 October 2020

Exploration Update at Britannia Mine, Turon Project

- ***Two priority DGPR targets identified near the historical Britannia Mine, Box Ridge Line of Workings (see ASX announcement 23 June 2020) were tested with two diamond drill holes.***

- ***Significant quartz veining, pervasive sericite alteration and disseminated sulphide (pyrite-arsenopyrite) mineralisation recorded within the drilling support the DGPR interpretation.***

- ***Positive indicators for mineralisation and anomalous gold was intersected in both holes with the peak gold results being:***
  - ***BD001 – 0.7m @ 0.48 g/t gold from 20.5m***
  - ***BD002 – 1m @ 4.82 g/t gold from 56m***

- ***Six diamond holes at the Quartz Ridge Line of Workings have been completed (including two at Dead Horse Reef under the historical high grade rock chip of 1,535g/t gold) – currently undergoing logging with assays pending.***

Krakatoa Resources Limited (ASX: KTA) ("Krakatoa" or the "Company") is pleased to advise that drill testing of two Deep Ground Penetrating Radar (DGPR) targets delineated near the historical Britannia Mine has concluded successfully. Two holes, were developed with each returning anomalous gold results and intersecting several faults, significant quartz veining, pervasive sericite alteration and disseminated sulphide (pyrite-arsenopyrite) mineralisation, as predicted by the DGPR.

Holes BD001 and BD002 targeted a shallow DGPR response, directly corresponding with the mineralised Britannia mine sequence and historic workings. Thence both holes tested a second deeper, western target outlined within a reinterpreted geological framework supported by the DGPR. The DGPR targets were described previously (see ASX announcement 23 June 2020).

Krakatoa's Executive Chair, Colin Locke, stated, "The encouraging, early-stage drilling results validate Krakatoa's selection of DGPR as an exploration tool. This provides a higher degree of confidence in anomalies at the Sugarloaf and Bell Valley Prospects where we also used the technique.

Testing of these prospects remains in its infancy with this diamond drilling being the first in the area. The anomalous gold, zones of strong sericite alteration and disseminated sulphide mineralisation proximal to fault structures fit well with our exploration ambitions and provide encouragement for the predominantly untested 2.4km long Box Ridge Line of gold workings."

Drilling Program Background

The Britannia Mine lies at the southern tip of the historical 2.4km Box Ridge Line of gold workings (Figure 1). The historic Britannia Mine was chosen as a case study for the broader application of DGPR within the Turon Project because:

- It produced ~10,000oz over a small area supporting the presence of high-grade gold mineralisation
- BHP drilled three vertical percussion holes (for 199m), and extensively sampled surface and underground workings, mullock, veining and host lithologies in the Britannia Mine in the late 1980s. Of the three holes BHP drilled, only TD1, the middle hole, intersected significant quartz veining producing a grade of 0.43g/t gold from a single two-metre composite sample.
- Underground samples by BHP outlined a coherent remnant zone 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.

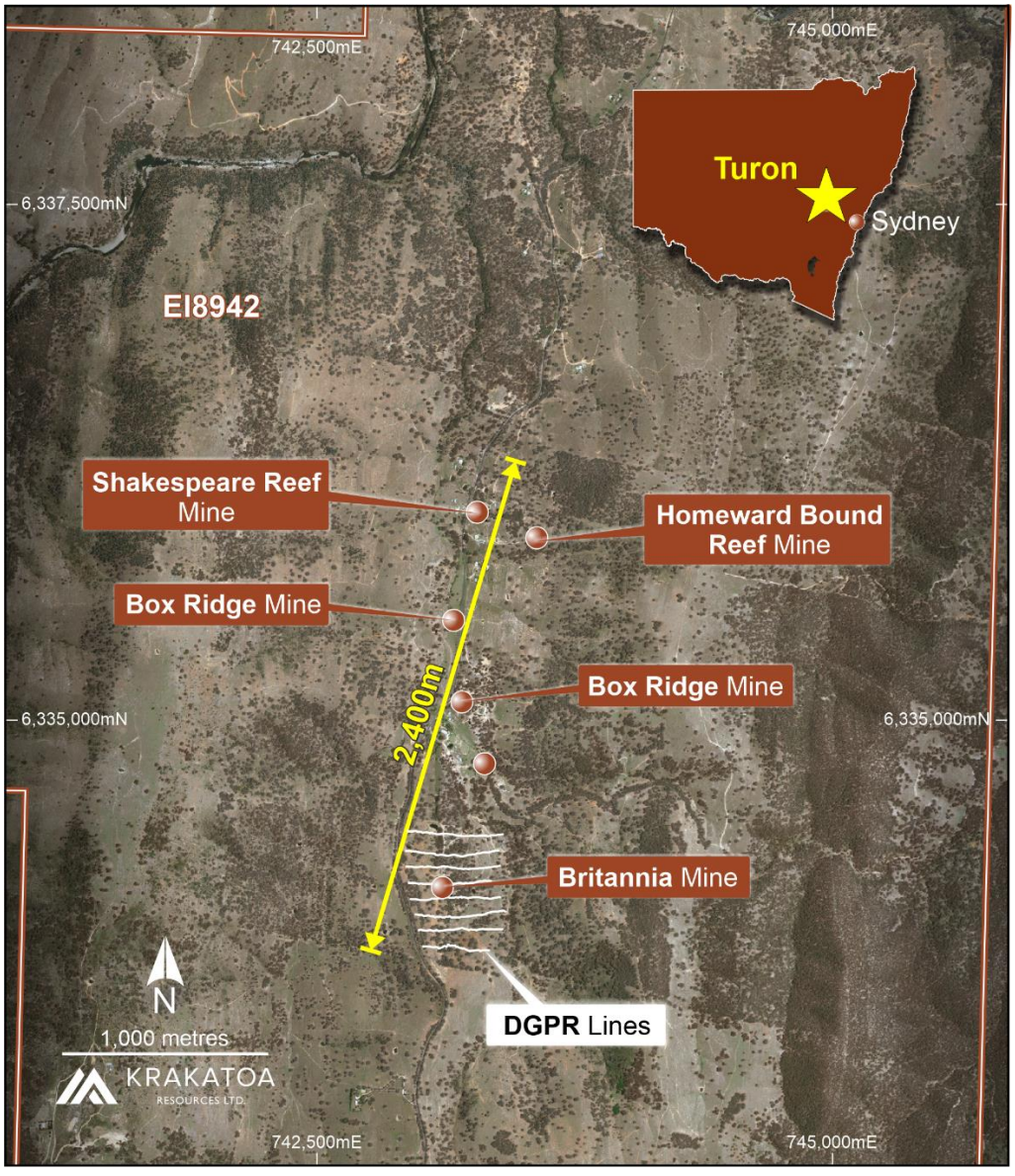

Figure 1: Britannia Mine Location, Box Ridge Line of Workings

The DGPR interpretation across Britannia identified two anomalies thought to coincide with steeply dipping, structurally-controlled quartz veining. Their relative depth distinguishes the anomalies with a shallower anomaly that corresponds with the historic Britannia workings, and a freshly delineated deeper anomaly offset to the west from the known mineralisation.

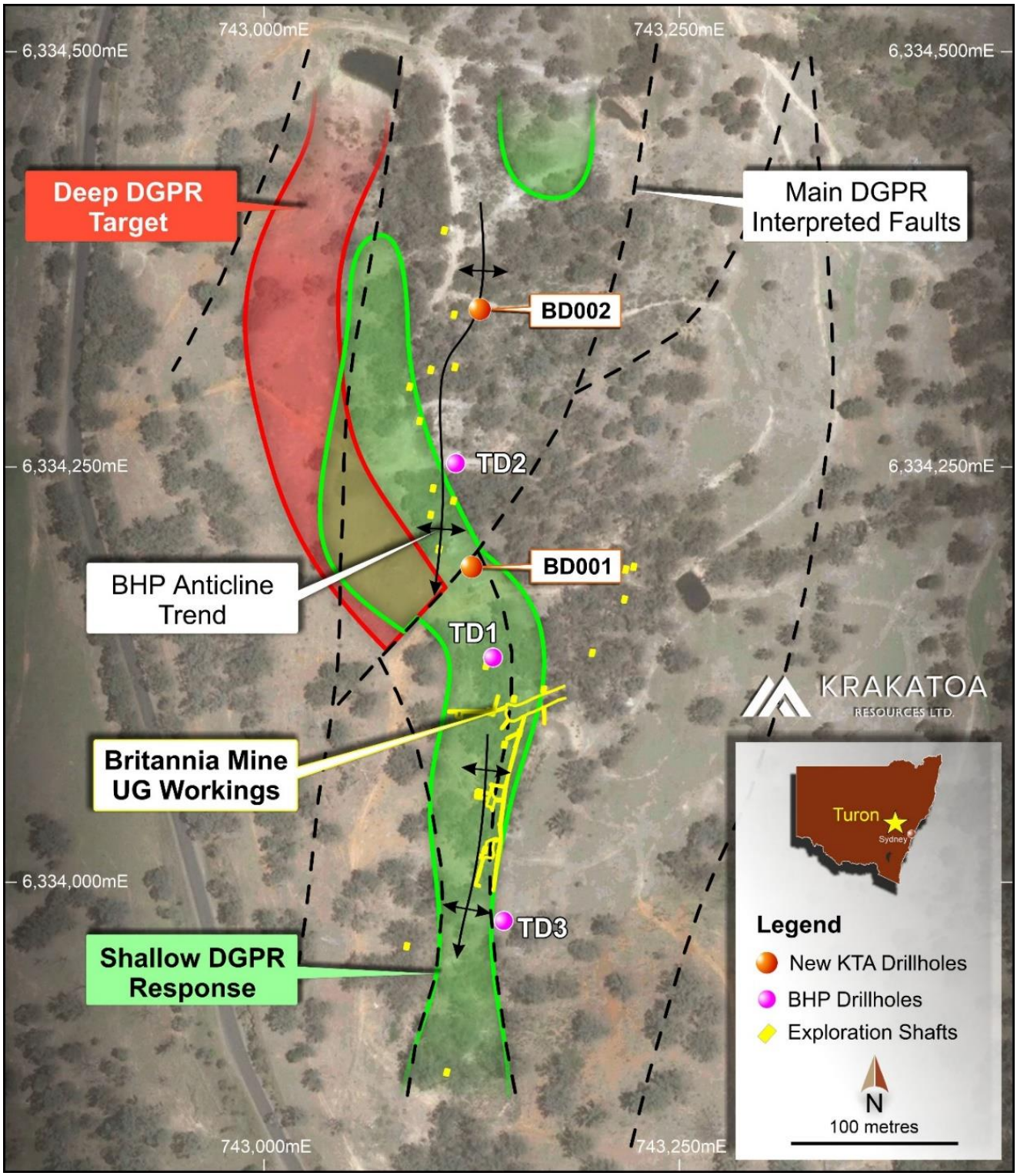

Figure 2: Diamond Drill Locations – Britannia Mine, Box Ridge Line of Workings

Drilling Results

Drilling was designed to test the generated DGPR targets and not the historical gold workings (Figure 2), as the Company sought to build an understanding of the technique and to confirm the data interpretation.

Each drill hole displayed features that correlated substantially with the respective DGPR interpretation, including the predicted intersection of several faults, significant quartz veining, pervasive sericite alteration and disseminated sulphide (pyrite-arsenopyrite) mineralisation. The degree of correlation provides a higher degree of confidence in the results for the Sugarloaf and Bell Valley Prospects, where the technique was also employed.

Both holes intersected gold mineralisation of varying tenor, with a peak gold values of:

- ***BD001 – 0.7m @ 0.48 g/t gold from 20.5m***
- ***BD002 – 1m @ 4.82 g/t gold from 56m***

Figure 3: BD001 at 152.8m displaying strong sericite altered sandstone with pyrite clots

Figure 4: BD002 Core Tray which includes the 1m interval @ 4.82g/t gold from 56m

At Britannia sediment-hosted auriferous quartz veins form as either massive or laminated quartz lodes on steeply west-dipping faults, or as bedding discordant spur quartz veins. The individual veins are generally narrow (0.05 to 0.5m wide) with some displaying near horizontal, laminated (crack-seal) textures, with "leader" veins intersecting layer-parallel veins. The layer-parallel veins are generally concentrated within coarser metasandstone units near the margins with the interbedded shale units. The mineralised quartz exhibits stylolitic 'laminated' textures with pyrite and arsenopyrite set within a sericite-carbonate "bleached" unit. Alteration appears concentrated about a series of steeply west dipping faults.

The encountered gold mineralisation was generally shallow and intersected mainly within the oxidised upper sections of the geology. Table 1 lists the intersections exceeding 0.1 g/t gold.

Table 1: Anomalous Results, Britannia Mine

HOLE_ID	FROM	TO	INTERVAL	Au_ppm	As_ppm	COMMENTS
BD001	20.5	21.2	0.70	0.48	65	oxide
BD001	45.2	47.6	2.40	0.11	253	1m core loss
BD002	34.9	36.0	1.10	0.36	100	oxide
BD002	40.8	41.6	0.80	0.12	172	oxide
BD002	56.0	57.0	1.00	4.82	389	oxide

The original DGPR line profiles with drilling overlaid are presented in Figures 5 and 6. Summary geological logs, including collar details, were provided in an earlier ASX announcement (see ASX September 1 - Diamond Drill Program Update).

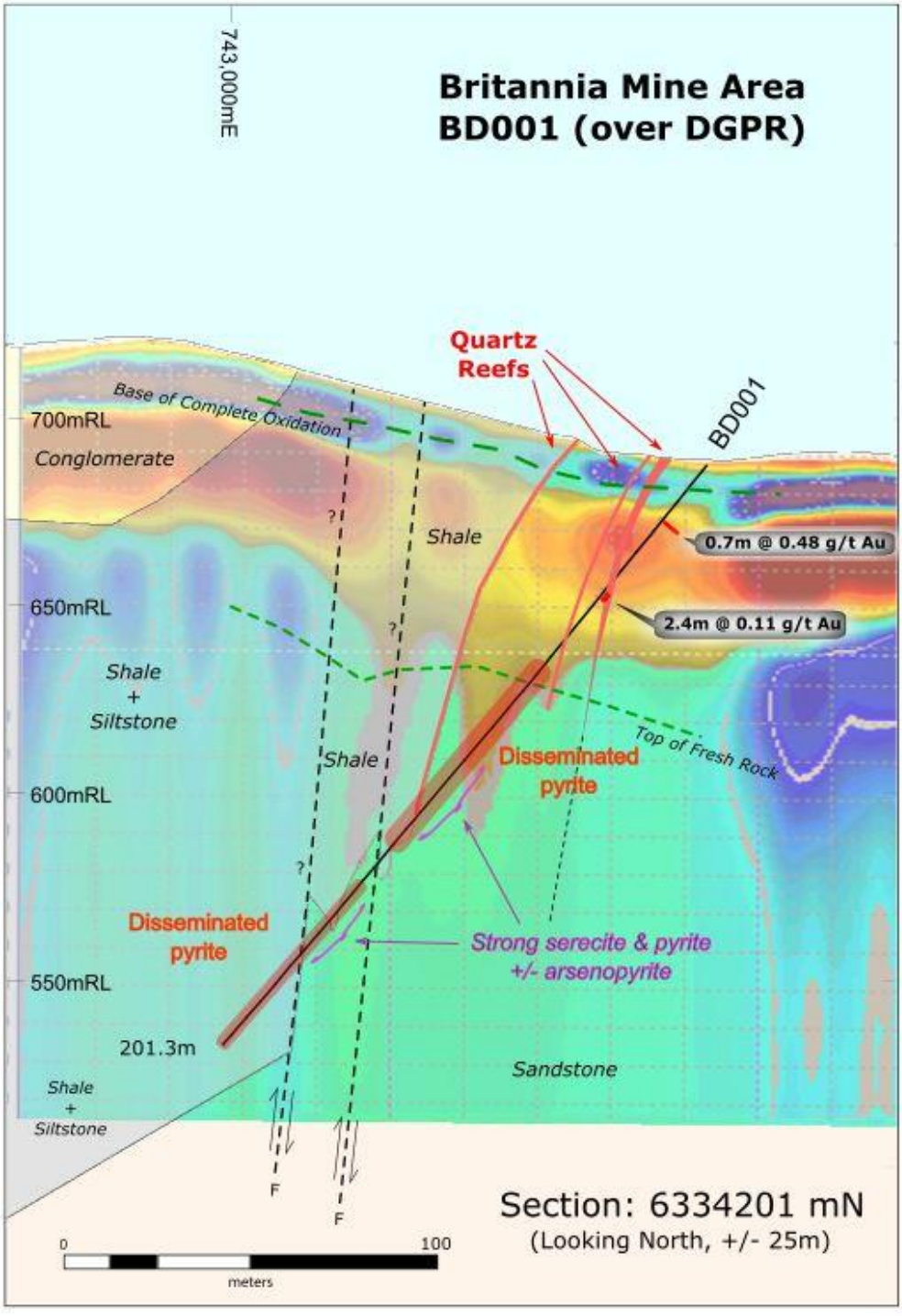

Figure 5: DGPR line profile overlaid with BD001

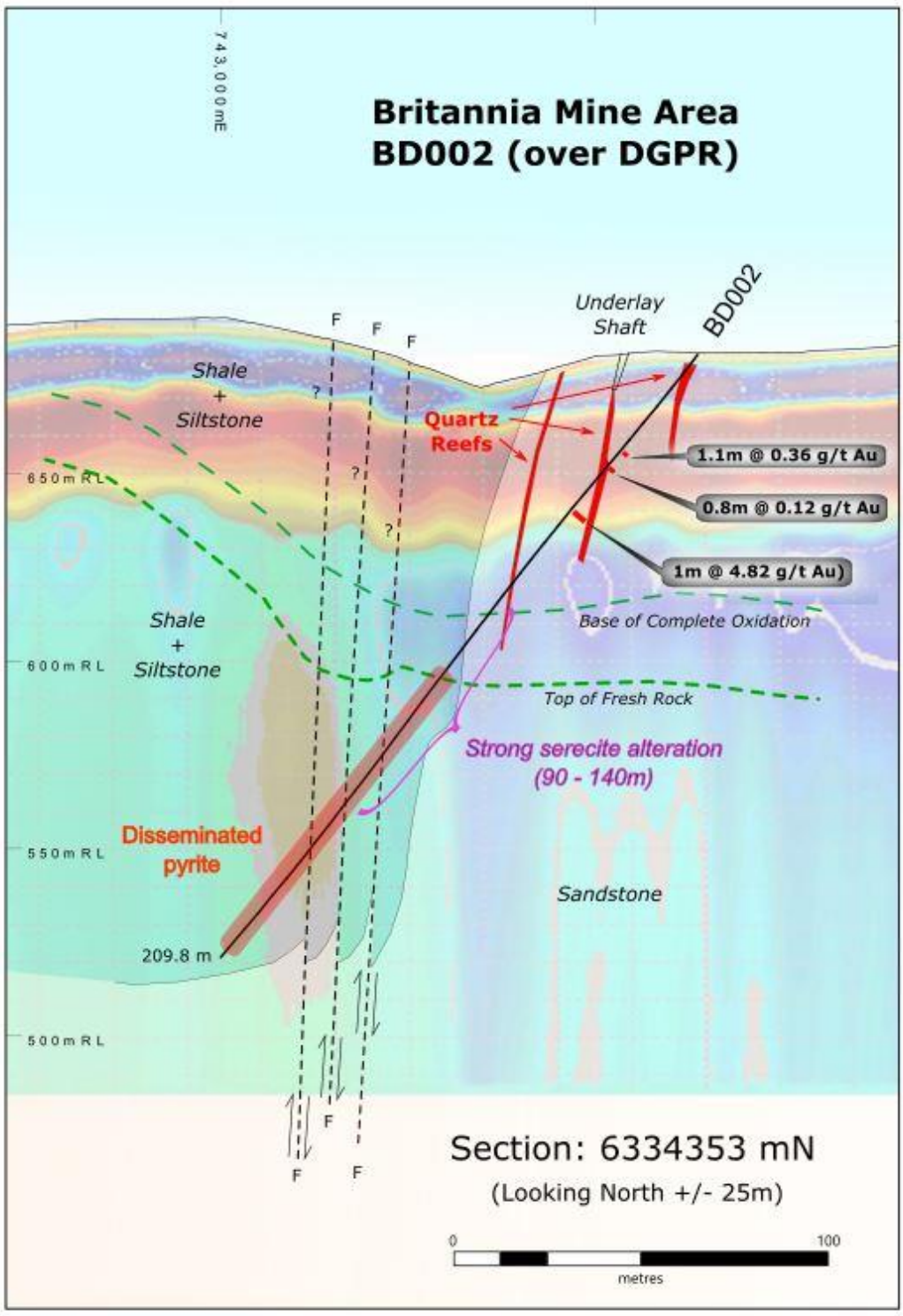

Figure 6: DGPR line profile overlaid with BD002

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Quartz Ridge Drilling

Diamond drilling is complete at the Quartz Ridge Line of Workings, located 7km to the west of the Britannia Mine. Six holes have been completed for 1294.5m. Logging and assaying of these holes is ongoing with final results expected in early November.

The Company is encouraged by the predicative capacity of the DGPR response in determining the presence of quartz veining, mineral alteration and sulphide minerals. It will await and assess the results from Quartz Ridge before it determines the next steps at the Turon Project.

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.

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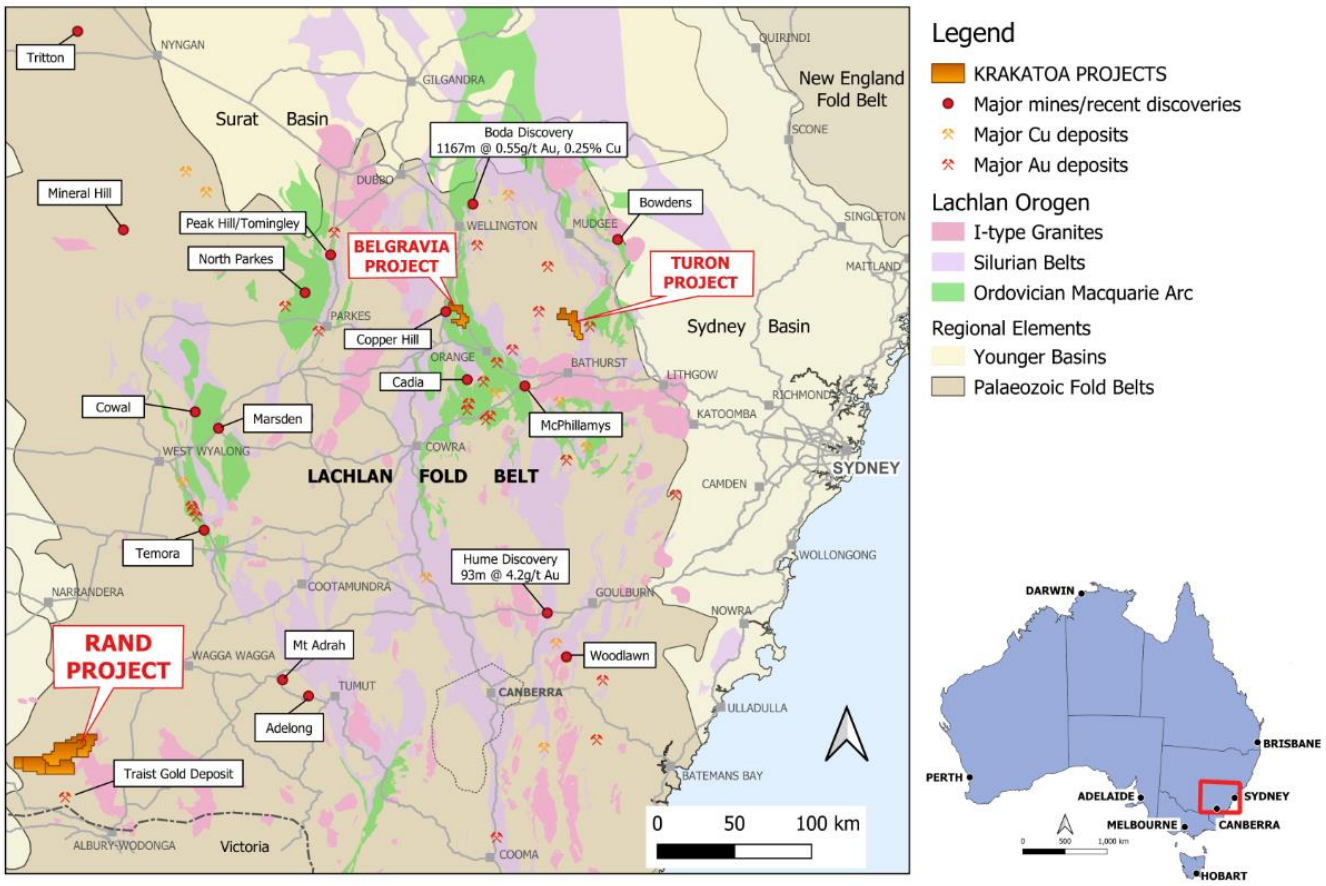
ABOUT KRAKATOA:

Krakatoa is an ASX listed public Company predominately focused on gold exploration in the world class Lachlan Fold Belt, NSW across three projects: Belgravia, Turon and Rand.



Belgravia Project (Krakatoa 100%):

The Belgravia Project covers an area of 80km^2 and is located in the central part of the Molong Volcanic Belt (MVB), East Lachlan province, between Newcrest Mining's Cadia Operations and Alkane Resources Boda Discovery. The Project has six initial target areas considered highly prospective for porphyry Cu-Au and associated skarn Cu-Au, with Bell Valley and Sugarloaf representing the two most advanced target areas. Bell Valley contains a considerable portion of the Copper Hill Intrusive Complex, the interpreted porphyry complex which hosts the Copper Hill deposit (890koz Au & 310kt Cu) and has highly prospective magnetic low features spanning 6km. Sugarloaf contains a 900m Deep Ground Penetrating Radar anomaly located within a distinctive magnetic low feature considered characteristic of a porphyry-style deposit and co-incident with anomalous rock chips including 5.19g/t Au and 1.73% Cu.

Turon Project (Krakatoa 100%):

The Turon Project covers 120km^2 and is located 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. The Project contains two separate north-trending reef systems, the Quartz Ridge and Box Ridge, comprising shafts, adits and drifts that strike over 1.6km and 2.4km respectively. Both reef systems have demonstrated high grade gold anomalism (up to 1,535g/t Au in rock chips) and shallow gold targets (up to 10m @ 1.64g/t Au from surface to end of hole) that warrant detailed investigation.

Rand Project (100% - application)

The Rand Project covers an area of 580km^2, located approximately 60km NNW of Albury in southern NSW. The Project has a SW-trending shear zone that transects the entire tenement package forming a distinct structural corridor some 40 km in length. The historical Bulgandra Goldfield, which is captured by the Project, demonstrates the project area is prospective for shear-hosted and intrusion-hosted gold. Historical production records show substantial gold grades, including up to 265g/t Au from the exposed quartz veins in the Show Day Reef.

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 metre 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).*	• HQ 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 sampling • Geological recoveries were generally very good with some core loss occurring within the drill hole, particularly 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 • The core has been dry and wet photographed through each holes

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.*	development length • The holes have been logged through their entire length
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.*	• Reputable assay laboratory employed. (ALS Chemex, Orange) • Assay samples were completely pulverised before subsamples were split for fire assay and multi-element assay. • A 50g subsample was assayed by fire assay for Au, (method Au-AA26). A 0.25g subsample was assayed for Ag, As, Cu, Pb, S, Zn after aqua-regia digestion (method ME-ICP41). • Certified reference materials inserted every 40 samples. • Acceptable levels of accuracy and precision have been established.
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 collars Differential 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 • Holes targeted separate DGPR anomalies, as a test on the technique • No sample compositing was applied
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 (EL8942) 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 Syncline and Turondale 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. • Several mineral deposit styles are present in the Hill End Trough, including: 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 understanding of the report, the Competent Person should clearly explain*
		• Collar information and a geological summary of the developed holes (BD001 and BD002) were provided in an earlier release as documented within the report
		• BD001 MGA94 zone 55 743126.7mE 6334189.7mN 687.3RL
		• BD002 MGA94 zone 55 743128.9mE 6334344.6mN 683.6RL
		• BD001 collar oriented -50° towards 277.1° MGA
		• BD002 collar oriented -50° towards 283.1° MGA

Criteria	JORC Code explanation	Commentary
	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 not sampled for assay • No aggregation of the sampling was performed for the submitted samples. •
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').*	• Intersected gold mineralisation is generally confined to narrow veins except for the main intersection contained in BD002, which was associated with the Nobby's Reef, a historically noted gold-bearing quartz lode
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 near 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 announced DGPR anomalies were targeted with 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