

18 November 2014

Jeremy Newman
Adviser, Listings Compliance
ASX Compliance Pty Limited
Level 40, Central Park
152-158 St George Terrace
PERTH WA 6000

By email: Jeremy.Newman@asx.com.au

Dear Jeremy

Response to ASX 5B Query

Krakatoa Resources Limited ("Company") is pleased to respond to your query on 17 November 2014 as follows:

1. The Company believes that the following factors should be taken in to consideration when assessing the Company's position:
 - Since the period ended 30 September 2014, the Company has raised additional working capital totaling \$131,000.
 - The Company is discussing further capital raising with various parties and whilst the details are not sufficient to announce at the moment, details will follow before the end of the current quarter.
 - As announced to ASX on 10 December 2013, the Company has a \$5 million Standby Subscription Agreement funding arrangement with Gurney Capital Nominees Pty Ltd ("Investor") until 10 December 2018. Under the Facility the Company may give a drawdown notice to the Investor for funds to be received within 2 business days.
 - The Company has implemented cost cutting measures to ensure the Company reduces expenditure. As a result the Company's expenditure for the current quarter and forthcoming quarters will be significantly lower until such times as the Company is fully funded.
2. Due to the nature of the Company's activities which is primarily engaged in exploration activities it is likely that the Company will continue to experience negative operating cash flows. The Company will fund its ongoing exploration activities through raising future capital from investors and with other financing opportunities where available.



ABN 39 155 231 575

3. The Company is in the process of putting together a programme of capital raising to bring more cash in to the Company and further the Company is in the process of reducing its administrative and incidental costs to reflect the Company's position.
4. The Company confirms that it is in compliance with the listing rules and, in particular, listing rule 3.1.
5. The Company believes its financial position to be adequate to warrant continued quotation on the ASX, primarily due to the Standby Subscription Agreement funding arrangement, proposed capital raise for which details are being negotiated currently along with initiatives to reduce the costs of exploration and administration will sustain the Company's activities.

Should you have any queries regarding the above I will be happy to discuss such matters with you.

Yours sincerely

Aryo Bimo
Executive Director



ASX Compliance Pty Limited
ABN 26 087 780 489
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

GPO Box D187
PERTH WA 6840

Telephone 61 8 9224 0000

www.asx.com.au

17 November 2014

David Palumbo
Company Secretary
Krakatoa Resources Limited

By email: david@miningcorporate.com.au

Dear David

Krakatoa Resources Limited ("Company")

I refer to the Company's Quarterly Report in the form of Appendix 5B for the period ended 30 September 2014, released to ASX Limited ("ASX") on 31 October 2014, (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales of \$0.
2. Net negative operating cash flows for the quarter of \$109,000.
3. Estimated cash outflows of \$200,000 for the next quarter, including proposed administrative costs of \$100,000.
4. Cash at end of quarter of \$48,000.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rules 3.1 – 3.1B".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to jeremy.newman@asx.com.au. It should not be sent to ASX Market Announcements.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **3.00 pm WST on Thursday, 20 November 2014**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries please let me know.

Yours sincerely,

[sent electronically without signature]

Jeremy Newman

Adviser, Listings Compliance (Perth)