



KRAKATOA

Resources Limited

ABN 39 155 231 575

And Controlled Entities

Interim Financial Report
For the Half-Year Ended December 2014

**KRAKATOA RESOURCES LIMITED
AND CONTROLLED ENTITIES**

INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2014

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**KRAKATOA RESOURCES LIMITED
AND CONTROLLED ENTITIES**

COMPANY DIRECTORY

EXECUTIVE DIRECTOR

Aryo Bimo

NON-EXECUTIVE DIRECTORS

Roger Pooley

Brian Varndell

COMPANY SECRETARY

David Palumbo

REGISTERED OFFICE

Level 11, 216 St Georges Terrace

PERTH WA 6000

Telephone: (08) 9481 0389

Facsimile: (08) 9481 6103

AUDITORS

RSM Bird Cameron Partners

8 St Georges Terrace

PERTH WA 6000

SHARE REGISTRAR

Computershare Investor Services Pty Ltd

Level 2, 45 St Georges Terrace

PERTH WA 6000

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

STOCK EXCHANGE CODE

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**KRAKATOA RESOURCES LIMITED
AND CONTROLLED ENTITIES**

DIRECTORS' REPORT

Your directors submit the financial report of the Krakatoa Resources Limited and controlled entities (referred to hereafter as “the Consolidated Entity”) for the half-year ended 31 December 2014.

DIRECTORS

The names of Directors who held office during or since the end of the half-year are:

Aryo Bimo	Executive Director
Roger Pooley	Non-Executive Director
Brian Varndell	Non-Executive Director
Kevin Kwok	Managing Director (Resigned 1 July 2014)

PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the financial period was the acquisition and exploration of precious and base metal projects in Indonesia.

RESULTS

The loss after tax for the half-year ended 31 December 2014 was \$751,144 (2013: \$580,348).

REVIEW OF OPERATIONS

The Company has continued to maintain its three projects – Donggala (gold), Rio Jaya (gold) and BCS (Iron Ore) in good standing while evaluating additional tenements of strategic importance to expand the land area held. This work is ongoing as Krakatoa seeks to acquire further value accretive assets.

SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Consolidated Entity during the financial half-year.

**KRAKATOA RESOURCES LIMITED
AND CONTROLLED ENTITIES**

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half-year ended 31 December 2014 is set out on page 17.

This report is signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Aryo Bimo', is positioned above a horizontal line.

Aryo Bimo
Executive Director

Perth
Dated: 10 March 2015

**KRAKATOA RESOURCES LIMITED
AND CONTROLLED ENTITIES**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-Year Ended 31 December 2014

	Consolidated 31 December 2014 \$	Consolidated 31 December 2013 \$
Interest income	209	19,993
Administration expenses	(92,333)	(132,185)
Compliance and regulatory expenses	(39,065)	(28,738)
Consultancy fees	(89,618)	(76,113)
Employee benefits expense	(93,817)	(157,454)
Exploration expenditure and project evaluation costs	(199,802)	(114,953)
Impairment expense	(204,563)	-
Travel and accommodation	(32,155)	(90,898)
Loss before income tax expense	(751,144)	(580,348)
Income tax expense	-	-
Loss after income tax expense for the half-year	(751,144)	(580,348)
Other comprehensive loss		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	(26,113)	(7,135)
Total comprehensive loss for the half year	(26,113)	(7,135)
Total comprehensive loss for the half year	(777,257)	(587,483)
Net loss for the half-year is attributable to:		
Members of the parent entity	(751,144)	(580,348)
Non-controlling interest	-	-
	(751,144)	(580,348)
Total comprehensive loss for the half year is attributable to:		
Members of the parent entity	(777,257)	(587,483)
Non-controlling interest	-	-
	(777,257)	(587,483)
Basic and diluted loss per share (cents per share)	(2.06)	(2.00)

The accompanying notes form part of this financial report

**KRAKATOA RESOURCES LIMITED
AND CONTROLLED ENTITIES**

STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Consolidated 31 December 2014 \$	Consolidated 30 June 2014 \$
CURRENT ASSETS		
Cash and cash equivalents	222,262	61,796
Trade and other receivables	9,244	209,436
Other financial assets	865	865
Other assets	-	38,182
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	232,371	310,279
	<hr/>	<hr/>
NON-CURRENT ASSETS		
Exploration and evaluation expenditure	1,767,767	1,767,767
	<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS	1,767,767	1,767,767
	<hr/>	<hr/>
TOTAL ASSETS	2,000,138	2,078,046
	<hr/>	<hr/>
CURRENT LIABILITIES		
Trade and other payables	338,856	195,211
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	338,856	195,211
	<hr/>	<hr/>
TOTAL LIABILITIES	338,856	195,211
	<hr/>	<hr/>
NET ASSETS	1,661,282	1,882,835
	<hr/>	<hr/>
EQUITY		
Issued capital	4,783,884	4,234,730
Reserves	127,875	147,438
Accumulated losses	(3,337,977)	(2,586,833)
Non-controlling interest	87,500	87,500
	<hr/>	<hr/>
TOTAL EQUITY	1,661,282	1,882,835
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The accompanying notes form part of this financial report

**KRAKATOA RESOURCES LIMITED
AND CONTROLLED ENTITIES**

STATEMENT OF CHANGES IN EQUITY
For the Half-Year Ended 31 December 2014

Consolidated

	Issued Capital	Option Premium Reserve	Foreign Currency Translation Reserve	Non- Controlling Interest	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2013	2,914,730	145,000	446	87,500	(702,719)	2,444,957
Loss for the period	-	-	-	-	(580,348)	(580,348)
Other comprehensive loss			(7,135)	-	-	(7,135)
Total comprehensive loss for the period	-	-	(7,135)	-	(580,348)	(587,483)
Balance at 31 December 2013	2,914,730	145,000	(6,689)	87,500	(1,283,067)	1,857,474
Balance at 1 July 2014	4,234,730	145,000	2,438	87,500	(2,586,833)	1,882,835
Loss for the period	-	-	-	-	(751,144)	(751,144)
Other comprehensive income	-	-	(26,113)	-	-	(26,113)
Total comprehensive loss for the period	-	-	(26,113)	-	(751,144)	(777,257)
<i>Transactions with owner directly recorded in equity:</i>						
Shares issued during the period	601,000	-	-	-	-	601,000
Options issued during the period	-	6,550	-	-	-	6,550
Less: Transaction costs arising from issue of shares	(51,846)	-	-	-	-	(51,846)
Balance at 31 December 2014	4,783,884	151,550	(23,675)	87,500	(3,337,977)	1,661,282

The accompanying notes form part of this financial report

**KRAKATOA RESOURCES LIMITED
AND CONTROLLED ENTITIES**

STATEMENT OF CASH FLOWS
For the Half-Year Ended 31 December 2014

	Consolidated 31 December 2014 \$	Consolidated 31 December 2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(245,684)	(409,913)
Exploration expenditure	(149,763)	(389,009)
Interest received	209	24,535
	<hr/>	<hr/>
Net cash used in operating activities	(395,238)	(774,387)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans to other entities	-	(165,000)
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Net cash used in investing activities	-	(165,000)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	601,000	-
Payments for capital raising costs	(45,296)	-
	<hr/>	<hr/>
Net cash provided by financing activities	555,704	-
	<hr/>	<hr/>
Net increase/(decrease) in cash held	160,466	(939,387)
	<hr/>	<hr/>
Cash and cash equivalents at beginning of period	61,796	1,773,444
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Cash and cash equivalents at end of reporting period	222,262	834,057
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The accompanying notes form part of this financial report

**KRAKATOA RESOURCES LIMITED
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2014

Note 1: Summary of Significant Accounting Policies

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2014 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by Krakatoa Resources Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied with those of the previous financial year, except in relation to the matters disclosed below.

New and Revised Accounting Standards

The Consolidated Entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Consolidated Entity.

Going Concern

The half-year financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Entity incurred a loss of \$751,144 and had net cash outflows from operating activities of \$395,238 for the half-year ended 31 December 2014. As at that date, the Consolidated Entity had net current liabilities of \$106,485.

The ability of the Consolidated Entity to continue as a going concern is principally dependent upon the ability of the Consolidated Entity to secure funds by raising additional capital from equity markets and managing cashflow in line with available funds. These conditions indicate a material uncertainty, which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern.

The directors have prepared a cash flow forecast, which indicates that the Consolidated Entity will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this half-year financial report.

**KRAKATOA RESOURCES LIMITED
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2014

Note 1: Summary of Significant Accounting Policies (cont'd)

Going Concern (cont'd)

Based on the cash flow forecasts, and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Consolidated Entity's history of raising capital to date, the directors are confident of the Consolidated Entity's ability to raise additional capital as and when they are required.

Should the Consolidated Entity be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the half-year financial report. The financial report does not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Consolidated Entity be unable to continue as a going concern and meet its debts as and when they fall due.

**KRAKATOA RESOURCES LIMITED
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2014

2. ISSUED CAPITAL

	31 December 2014	30 June 2014
	\$	\$
(a) Issued and paid up capital		
Ordinary shares fully paid	4,783,884	4,234,730
	<u>4,783,884</u>	<u>4,234,730</u>
	Number	\$
(b) Movement in ordinary shares on issue		
Balance at 1 July 2014	35,000,003	4,234,730
Shares issued during the period	6,010,000	601,000
Transaction costs arising from issue of shares	-	(51,846)
Balance at 31 December 2014	<u>41,010,003</u>	<u>4,783,884</u>

3. DIVIDENDS

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the period.

4. SEGMENT INFORMATION

The Consolidated Entity has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the phase of operation within the mining industry. For management purposes, the Consolidated Entity has organised its operations into two reportable segments on the basis of stage of development as follows:

- Development assets
- Exploration and evaluation assets, which includes assets that are associated with the determination and assessment of the existence of commercial economic reserves.

The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

During the half-year ended 31 December 2014, the Consolidated Entity had no development assets. The Board considers that it has only operated in one segment, being mineral exploration within Indonesia.

The Consolidated Entity is domiciled in Australia. All revenue from external customers are only generated from Australia and Indonesia.

No revenues were derived from a single external customer.

**KRAKATOA RESOURCES LIMITED
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2014

5. EVENTS SUBSEQUENT TO REPORTING PERIOD

No matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

6. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

7. FUNDING FACILITIES

As announced on the ASX on 10 December 2013, the Consolidated Entity secured up to AUD\$5 million in funds to progress the development of its exploration projects in Indonesia. The funding arrangement is through a Standby Subscription Agreement from Gurney Capital Nominees Pty Ltd. No funds have been drawn at 31 December 2014 or at the date of this report.

**KRAKATOA RESOURCES LIMITED
AND CONTROLLED ENTITIES**

DIRECTORS' DECLARATION
For the Half-Year Ended 31 December 2014

In the opinion of the Directors of Krakatoa Resources Limited ('the Consolidated Entity'):

1. The financial statements and notes thereto of the Consolidated Entity, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and its performance for the half-year then ended.
2. In the Directors' opinion there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to Section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Aryo Bimo
Executive Director

Perth
Dated: 10 March 2015

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
KRAKATOA RESOURCES LIMITED**

We have reviewed the accompanying half-year financial report of Krakatoa Resources Limited which comprises the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Krakatoa Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Krakatoa Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Krakatoa Resources Limited is not in accordance with the *Corporations Act 2001*, including:

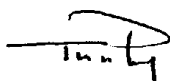
- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1, which indicates that the consolidated entity incurred a loss of \$751,144 and had net cash outflows from operating activities of \$395,238 during the half-year ended 31 December 2014. As at that date, the consolidated entity had net current liabilities of \$106,485. These financial conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 10 March 2015

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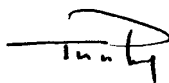
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Krakatoa Resources Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 10 March 2015