

29 January 2016

## December 2015 Quarterly Activities Report

Krakatoa Resources Limited (ASX: **KTA**) ("**Krakatoa**" or the "**Company**") is pleased to provide the following summary of activities conducted in the December 2015 quarter.

### **Bone Bay and Laeya River Tenements (Graphite)**

As announced on 18 June 2015, Krakatoa signed a Heads of Agreement with Carbon Carbon Pte Ltd ("**Carbon**"), providing Krakatoa with an option to acquire a 75% controlling interest in two graphite projects:

- the Bone Bay Graphite Project, a 99.48 ha exploration IUP (Mining Business Licence) located on the coastal road in the strategic mining region and port city of Kolaka, South East Sulawesi, Indonesia.
- the Laeya River Graphite Project, a 98 ha exploration IUP situated within the graphite prospective "Mekongga" geological formation close to the provincial city of Kendari.

Carbon, a Singapore domiciled private company, holds an option to purchase 75% of the total number of issued shares in PT Trans Jawa Sulawesi ("**PT TJS**"), an Indonesian domiciled company which has exploration rights over the Bone Bay Graphite and Laeya River Graphite Projects.

During the December 2015 quarter, Krakatoa continued its due diligence on PT TJS and the Bone Bay and Laeya River Graphite Projects. The Company appointed a reputable in-country law firm to complete legal due diligence and advice on acquisition structure for the proposed transaction.

### **BCS Tenement (Iron-Ore)**

No work was completed on the BCS Tenement during the December 2015 quarter.

### **Donggala Tenement (Gold)**

No work was completed on the Donggala Tenement during the December 2015 quarter.

### **Rio Jaya Tenements (Gold)**

No work was completed on the Rio Jaya Tenements during the December 2015 quarter. Discussions with a potential buyer took place during the quarter, however no agreement could be reached. In light of the current market conditions, the Company advised PT. Rio Jaya Persada that it will not proceed with acquisition under the Memorandum of Understanding announced to ASX on 16 April 2014.

## Project Generation

During the quarter, the Company continued to review projects for acquisition, in particular, a base metal project in Sulawesi where preliminary due diligence, ground reconnaissance, mapping, trenching and sampling was completed. The Company has been in negotiations with the vending party for a number of months in an attempt to reach mutually agreeable terms.

## Corporate

On 8 October 2015, the Company announced the appointment of Mr Timothy Hogan as a non-executive director and the resignation of Mr Brian Varndell.

During the December 2015 quarter, the Company raised a total of \$230,630 before costs, through the issue of 23,063,002 listed options exercisable at \$0.20 on or before 31 March 2017. The options placement was completed via a prospectus dated 25 September 2015 with shareholder approval obtained on 23 October 2015.

During the quarter, the Company issued 1,753,333 fully paid shares at \$0.15 per share to raise \$263,000 before costs. The Company also issued 838,333 unlisted options exercisable at \$0.20 on or before 31 March 2017 for brokerage services associated with the placements.

On 3 December 2015, the Company issued 8,000,000 unlisted options exercisable at \$0.40 on or before 31 March 2017 to directors and consultants, as approved at the Company's annual general meeting held on 30 November 2015.

## ASX Listing Rule 5.3.3 - Details of Tenements Held at 31 December 2015

Project	Tenement Licence	Interest held at 30 September 2015	Interest acquired/ disposed	Interest held at 31 December 2015
Donggala	IUP No.188.45/0465/DESDM	80%	-	80%
BCS	IUP No.540/23/IUP/DESDM/BUP-2010	99.8%	-	99.8%
Rio Jaya	IUP 188.45/0517/DESDM/2013	-	-*	-
Rio Jaya	IUP 188.45/0581/DESDM/2013	-	-*	-
Bone Bay	IUP No. 188.45/101/2014	-	-	-+
Laeya River	IUP No. 540/257 Tahun 2014	-	-	-+

\* The Company was party to a Memorandum of Understanding to acquire 80% of the Shares in PT. Rio Jaya Persada. The Company advised that it will not proceed with the acquisition during the quarter.

+ The Company is party to a Heads of Agreement to acquire an option to purchase 75% of the Shares in PT Trans Jawa Sulawesi.

Yours faithfully,

Colin Locke  
Executive Chairman