

29 July 2016

June 2016 Quarterly Activities Report

Krakatoa Resources Limited (ASX: **KTA**) ("**Krakatoa**" or the "**Company**") is pleased to provide the following summary of activities conducted in the June 2016 quarter.

Dalgaranga Project (Ta-Li-Sn)

As announced on 2 March 2016, Krakatoa acquired 100% of the Dalgaranga Tantalum-Niobium Lithium Project. The Dalgaranga Project is located 80km north west of Mount Magnet in Western Australia.

Dalgaranga was initially discovered by Dann Todd in about 1961 and subsequently underwent small scale mining over many years, producing tantalum, beryl, tin and tungsten. Alluvial mining of tantalite has additionally been mined throughout the project area. The open pit is 200m long, 40m wide and up to 15m deep. The host pegmatite strikes North West and dips north east at a shallow angle.

Recently mine development and plant construction was undertaken by Tantalum Australia in 2001, mining ended in 2002 and processing ceased in 2003. Between July and December 2002, the Dalgaranga Plant treated 49,000t of ore sourced from the open pit and previously mined stockpiles. Total production was 30.5t of concentrate containing 6,434kg of Ta_2O_5 . (*Production figures sourced from Department of Minerals and Petroleum of Western Australia, Industrial minerals in Western Australia: The Situation in 2004*).



Figure 1: Existing Site Infrastructure

In April 2016, the Company announced completion of a rock chip sampling campaign within the vicinity of the historical Dalgaranga Open Pit. The program aimed to determine the tenor of exposed mineralisation within the open pit, confirm the presence of Zinnwaldite (lithium mica mineral) and develop an understanding of the potential for hosting extensions to the previously mined tantalum-niobium mineralisation.

Rock chip samples returned up to 1,854ppm Ta₂O₅ confirming that high grade mineralisation remains within the open pit. Zinnwaldite (lithium mica mineral) was logged in sample 16D012 which reported 0.52% (5,163ppm) Li₂O. This confirms the presence of lithium minerals within the pegmatites at Dalgaranga. A full listing of results from the rock chip sampling campaign is detailed in the Company's announcement dated 8 April 2016.

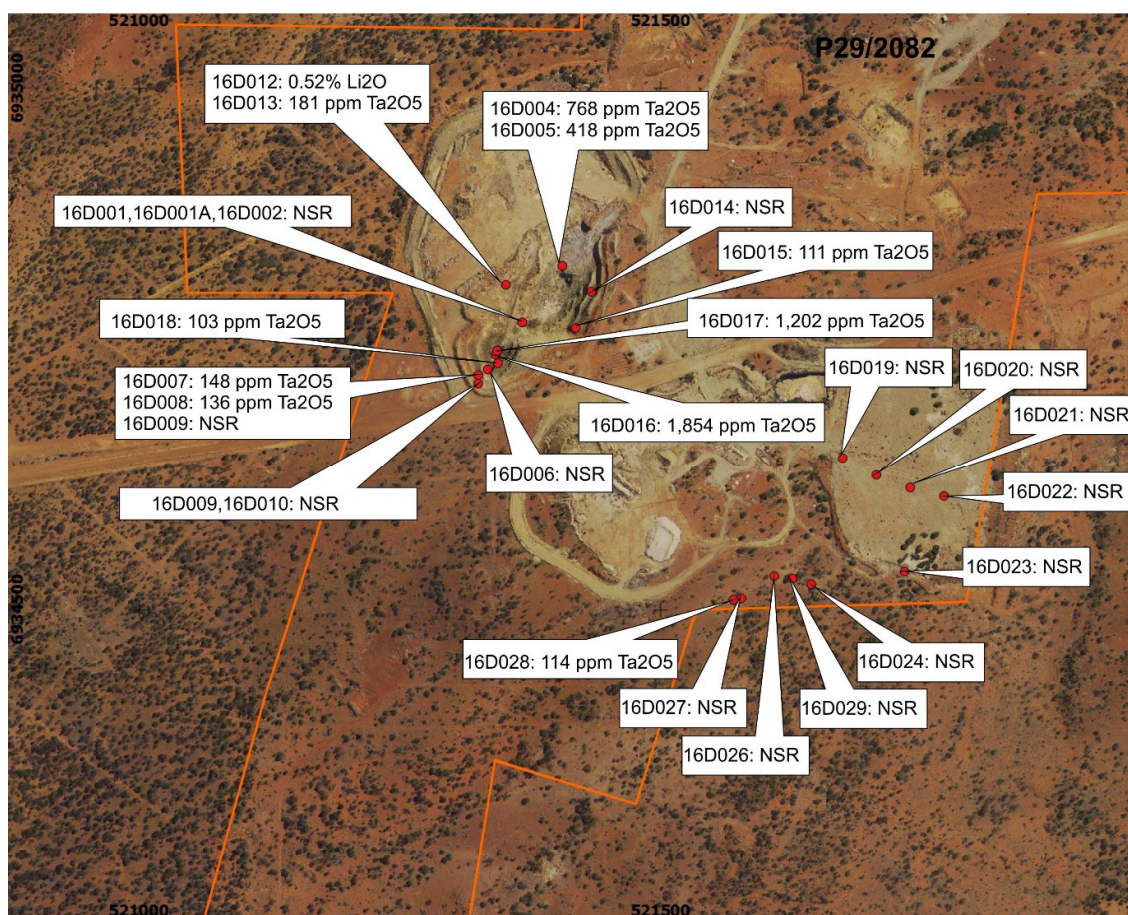


Figure 2: Rock Chip Sampling Location Plan

In June 2016, the Company organised a follow up expedition to the Dalgaranga open pit to validate and expand upon the geological understanding and potential for hosting extensions to the previously mined tantalum-niobium mineralisation. Former owners Meridian 120 Mining Pty Ltd completed geological mapping over the southern portions of the current Dalgaranga Prospecting License. Krakatoa validated and expanded upon past mapping.

A number of samples were taken (a full listing of results is detailed in the Company's announcement dated 7 June 2016) which confirmed the tenor of mineralisation within the pit and its immediate environments, exemplified by:

- **16D030: 0.92% Li_2O , 0.64% Rb_2O**
- **16D032: 226ppm Ta_2O_5 , 0.51% Li_2O , 0.84% Rb_2O**

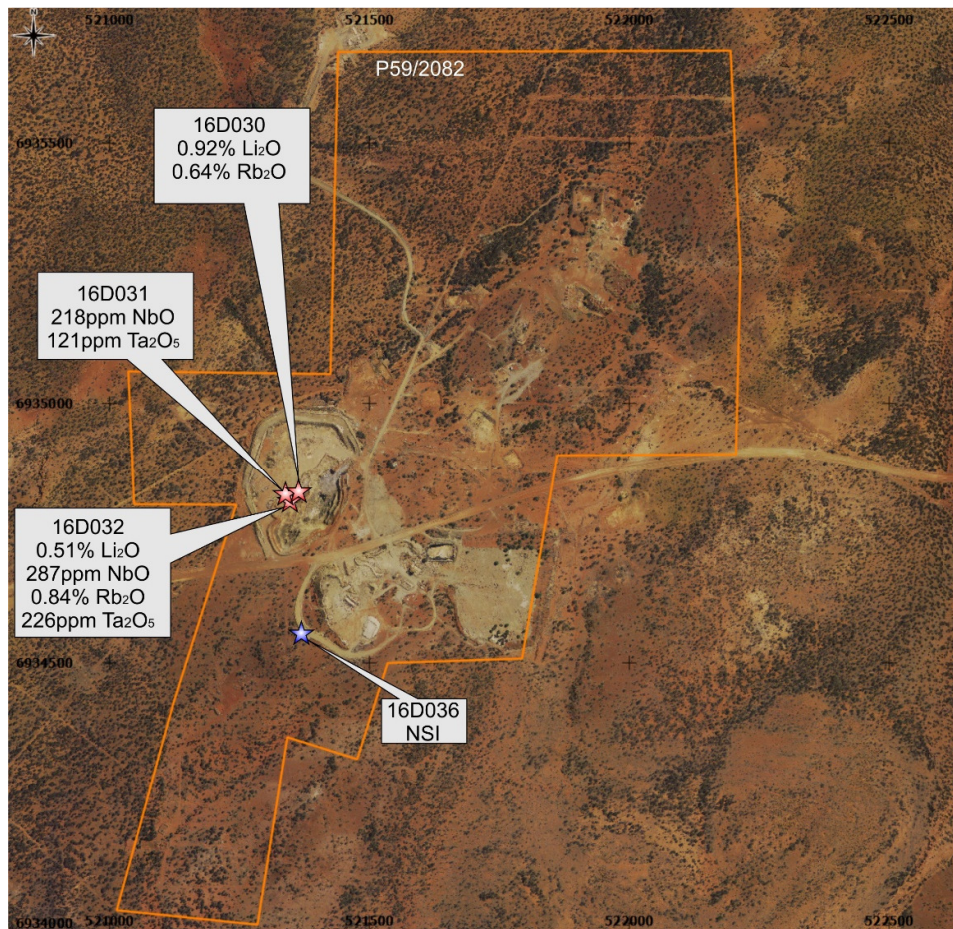


Figure 3: Rock Chip Sampling Locations- Dalgaranga

Krakatoa's mapping suggests the main pegmatite body is locally constrained to the core of a large, SW-plunging antiformal structure. The main rock types include metadolerite and a variably deformed metasedimentary package, which grades from relatively massive siltstones to knotted schists closer to the fold hinge. The metadolerite crops out extensively adjacent to and south of the open pit, but is limited in outcrop in the north and central portions of the property where extensive alluvium is found.

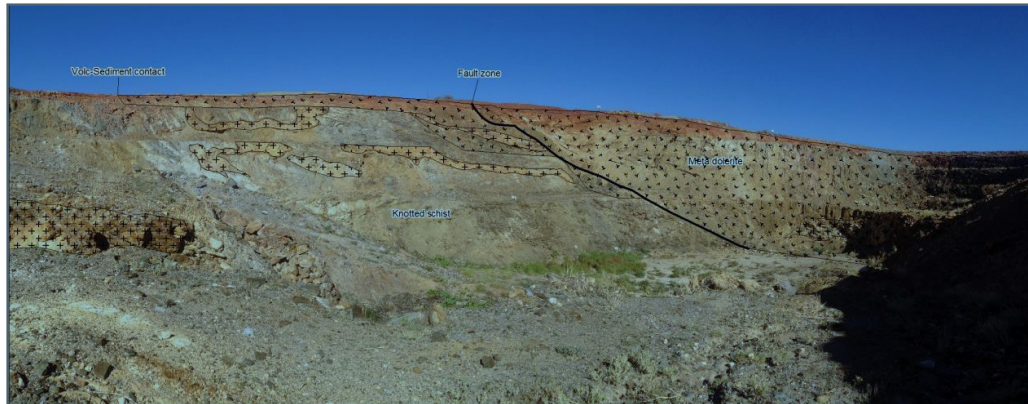


Figure 4: Pit Mapping

Pegmatite has preferentially intruded the metadolerite unit. Its distribution parallels the NE-trending fold axis of the antiform and a series of substantial NE to NNE-trending faults, suggesting they are all related. Small, brownish green, pseudo hexagonal phyllosilicate crystals, thought to be zinnwaldite, were noted in a pegmatite occurrence in the southeast of the project.

The key objectives of the June quarter program conducted across were met, namely identifying the presence of lithium bearing pegmatites within the target area and defining the parameters of the next stage of work programs to determine the extents of the lithium mineralisation prior to drill testing.

Mac Well Project (Beryl-Li-Ni)

During the March 2016 quarter, Krakatoa made an Exploration Licence Application across the Boungoonoo pegmatite-hosted beryl occurrence. The Mac Well Project has a land area of 66.9km², covers the pegmatite occurrence, and is located 10km west of Krakatoa's Dalgaranga Project.

During the June quarter, a low impact field based exploration mission was deployed at Mac Well (E59/2175) which confirmed the occurrence of Li-bearing mica's and the presence of suitable pegmatites and the occurrence of the Li-bearing phyllosilicate, zinnwaldite. Two samples, 16D037 and 16D038, were collected from shallow fossicking pits. Both samples show evidence for Li enrichment (0.32% and 0.18% Li₂O, respectively). Sample 16D037 also reports significant levels of NbO at 488.2 ppm.

Additional observations include:

- The area is dominated by granite.
- Numerous large xenoliths/inclusions of greenstone exist either as roof pendants or unassimilated inclusions of country rock in granite.
- Graphic textures may be indicative of the apical zone of the granite and possibly indicative of high water, volatile and incompatible element content.

The sampling conducted at Mac Well was targeting the location of a historical beryl occurrence. The work completed confirmed the presence of lithium bearing pegmatites which had not previously been identified. Further mapping and sampling is planned to be conducted to define the extents of the mineralised pegmatite.



ABN 39 155 231 575

Bone Bay and Laeya River Tenements (Graphite)

Krakatoa holds 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.

During the June 2016 quarter, Krakatoa continued its comprehensive legal and technical due diligence on PT TJS and the Bone Bay and Laeya River Graphite Projects.

BCS Tenement (Iron-Ore)

No work was completed on the BCS Tenement during the June 2016 quarter.

Project Generation

The Company is continuing to review acquisition opportunities in the resources sector.

Corporate

During the quarter, the Company completed placements to sophisticated investors raising \$135,000 through the issue of 675,000 fully paid shares at \$0.20 per share.

ASX Listing Rule 5.3.3 - Details of Tenements Held at 30 June 2016

Project	Tenement Licence	Interest held at 31 March 2016	Interest acquired/ disposed	Interest held at 30 June 2016
Dalgaranga	P59/2082	-	-	-^
Mac Well	E59/2175	-	-	-^
Bone Bay	IUP No. 188.45/101/2014	-	-	-+
Laeya River	IUP No. 540/257 Tahun 2014	-	-	-+
BCS	IUP No.540/23/IUP/DESDM/BUP-2010	99.8%	-	99.8%

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

^ The project consists of a single exploration licence application applied for directly by Krakatoa Resources Ltd, with no known impediments towards its grant.

Yours faithfully,

Colin Locke
Executive Chairman

Competent person's statement:

The information in this announcement that relates to Dalgaranga Project Exploration Results is based on information compiled and fairly represented by Mr Jonathan King, consultant geologist, who is a Member of the Australian Institute of Geoscientists and employed by Geonomics Australia Pty Ltd. 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 report of the matters based on this information in the form and context in which it appears.