



20 December 2012

Wade Baggott
ASX Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

Dear Wade,

Krakatoa Resources Limited – IUP Renewal

An IUP is a mining license granted by the Relevant Government Authority to i) a business entity (a) engaged in mining activities, (b) domiciled in Indonesia and (c) incorporated under Indonesian law, ii) a cooperative or iii) an individual; for the purpose of carrying on mining business activities.

Krakatoa's tenement been granted as an Exploration IUP by Donggala Regency. The tenement is currently subject to a 3 year exploration license which includes 2 years exploration study and 1 year feasibility study and expires on 12 April 2013. The tenement is able to be extended for 1 more year of exploration activities (i.e. 12 April 2014) before it must convert into a production IUP.

Krakatoa will apply for the extension of exploration activities closer to the date of expiry.

Yours faithfully

Kent Hunter
Director