

30 July 2018

June 2018 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 2018 quarter.

Corkill-Lawson and Farr Projects (Co-Ag)

The Corkill-Lawson and Farr Projects are located in the Gowganda area of north-eastern Ontario and are prospective for cobalt-silver mineralisation. The Cobalt-Gowganda mining area (otherwise known as the Cobalt Camp) of Ontario is historically one of the most prolific cobalt and silver mining areas in the world.

The Company completed the purchase of the Corkill-Lawson and Farr Projects during the quarter, for consideration of AUD\$50,000, 2,500,000 fully paid ordinary shares and 2,500,000 listed options exercisable at \$0.10 on or before 31 May 2019 (ASX: KTAOB).

During the quarter, the Company completed a review of all available geophysical data from the Ontario Geological Survey (OGS) system. Through this process, it was confirmed that VTEM and Magnetic work previously completed by Klondike Silver Corp (KSC) entirely covers the Corkhill-Lawson claims, with ultra-high resolution 75m x 75m flight lines. In addition, DDIP work completed by KSC partially covers the Corkhill-Lawson claims. The Company obtained the original geophysical survey data and engaged Core Geophysics to compile the legacy geophysical datasets on the Corkhill-Lawson claims and reprocess using modern approaches and enhancements.

On 2 July 2018, the Company announced that reprocessing and review of historical helicopter versatile time electromagnetic data (VTEM) and ground induced polarisation (IP) surveys returned 11 target anomalies considered prospective for Ag-Co-Ni mineralisation within the project (Figure 1; Table 1).

Table 1: Corkill-Lawson Targets

Target	X	Y	Comment	Rank
T1	529010	5269570	Very Strong EM but not evident on the cross line	3
T2	530330	5269160	Very Strong EM. 200m east of Nipissing Mag anomaly. Possible IP	1
T3	529320	5267590	Very Strong EM. Semi coincident Nipissing Mag. Partially tested by HCL0701	1
T4	530020	5269210	Moderate EM. Coincident Mag. Partially tested by HCL0706.	2
T5	529930	5270130	Moderate EM. Coincident Nipissing Mag anomaly	2
T6	529910	5269880	Moderate EM. On structure along Nipissing trend.	2
T7	529830	5269600	Moderate EM. Coincident Nipissing Mag anomaly	2
T8	529620	5268830	Moderate EM. Coincident Nipissing Mag anomaly	2
T9	529460	5268390	Moderate EM. On structure along Nipissing trend. Possible IP.	2
T10	529330	5268230	Moderate EM. Coincident Nipissing Mag anomaly. Possible IP.	2
T11	529300	5267830	Moderate EM. Coincident Nipissing Mag anomaly	2

NAD83 Datum, UTM Zone 17 North coordinate system

Registered office:

Level 11, London House, 216 St Georges Terrace, Perth, W.A. 6000

Ph: +618 9481 0389 **Fax:** +618 9463 6103 **W:** www.krakatoaresources.com **M:** info@krakatoaresources.com

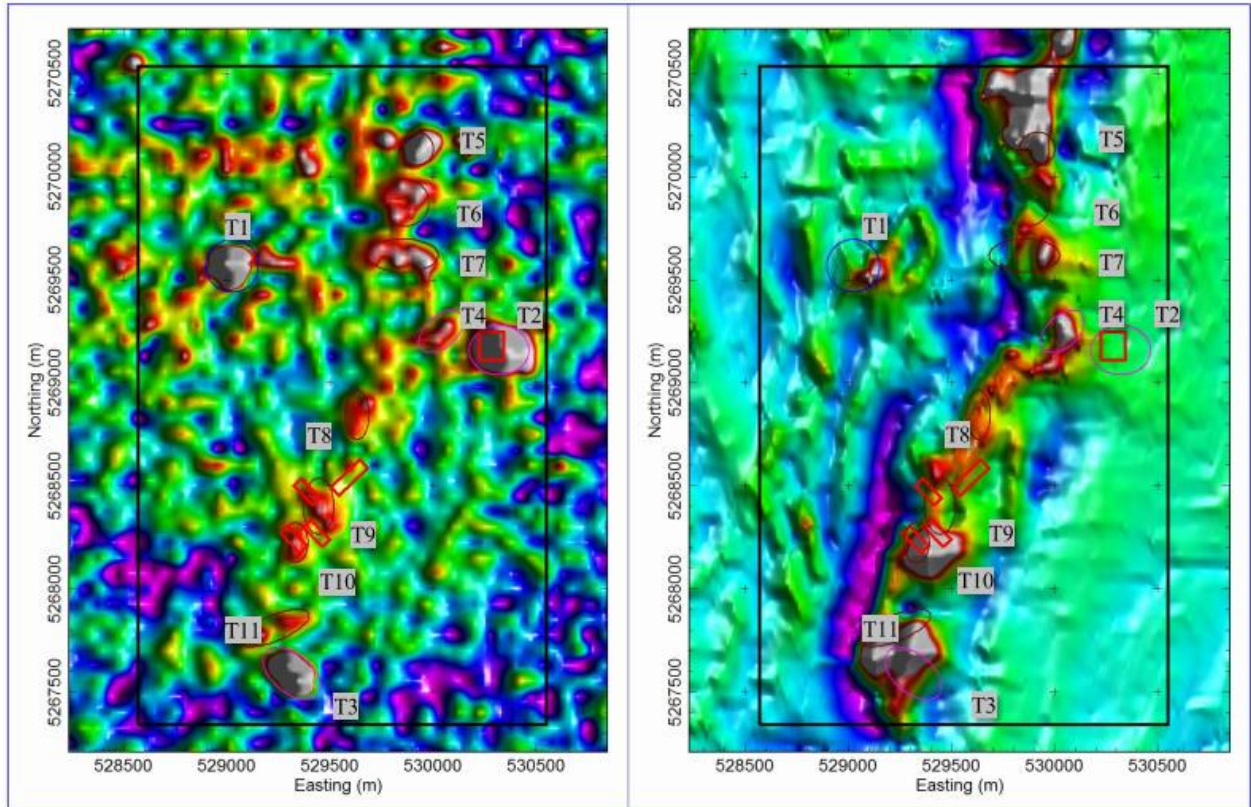


Figure 1: Target anomalies. Left VTEM B-Field Channel 20. Right TMI 1VD image. Red rectangle = IP anomalies. NAD83 Datum, UTM Zone 17 North coordinate system.

Of these targets, two are ranked high priority, eight moderate and one low priority (Table 1). One of the strongest anomalies (Target 1) was given the lowest priority because no corresponding response exists on the cross line. Targets 2 and 3 have been given the highest rank as they both represent strong VTEM anomalies. The remainder are moderate EM anomalies which are all considered prospective as they lie along the magnetic Nipissing Diabase signature.

Target 3 is a very strong VTEM anomaly closely associated with the previous Klondike drilling where HCL0701 intersected 2,393 g/t Ag, 0.31% Co and 0.46% Cu over 0.41m from 99.97m (refer to ASX announcement dated 5 April 2018). Modelling of this target suggests the response is derived from a thin vein source of high conductance (2500S) approximately 90m long, striking 305°. This position is parallel and not intersected by the previous Klondike drilling (Figure 2). Comments from the Corkill Diamond Drilling Report for HCL0701, HCL0704 and HCL0705, indicate the holes may be proximal to a significant structure which could trend sub-parallel to the holes, supports this.

Target 2 is defined by a very strong VTEM anomaly which has been modelled as a large flat lying plate approximately 225 x 60m in size at approximately 100m depth, which may represent a sill. It is located just off the eastern end of IP line 0E, where an “end of line anomaly” has been inferred. It lies approximately 200m east of the magnetic Nipissing Diabase which is interpreted to dip to the east. The distance from the Nipissing Diabase is within the range defined within the published literature on the location of Ag-Co-Ni deposits of the Cobalt-Gowganda region indicating “within or within 200m of the Nipissing Diabase.”

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Targets 4 and 8 straddle the previous Klondike drilling HCL0706-HCL0712. These targets are moderate VTEM anomalies that are coincident with magnetic anomalies. The area of previous drilling shows several other smaller VTEM responses coincident with magnetic anomalies. Drilling supports the presence of smaller mineralised vein sets, thus suggesting Targets 4 and 8 as potentially representing more substantial, conductive veins.

Targets 9 and 10 are again moderate VTEM anomalies that are coincident with magnetic anomalies. These targets are also coincident with anomalous locations inferred from the IP survey. The remainder of the targets are moderate VTEM responses with coincident magnetic anomalies.

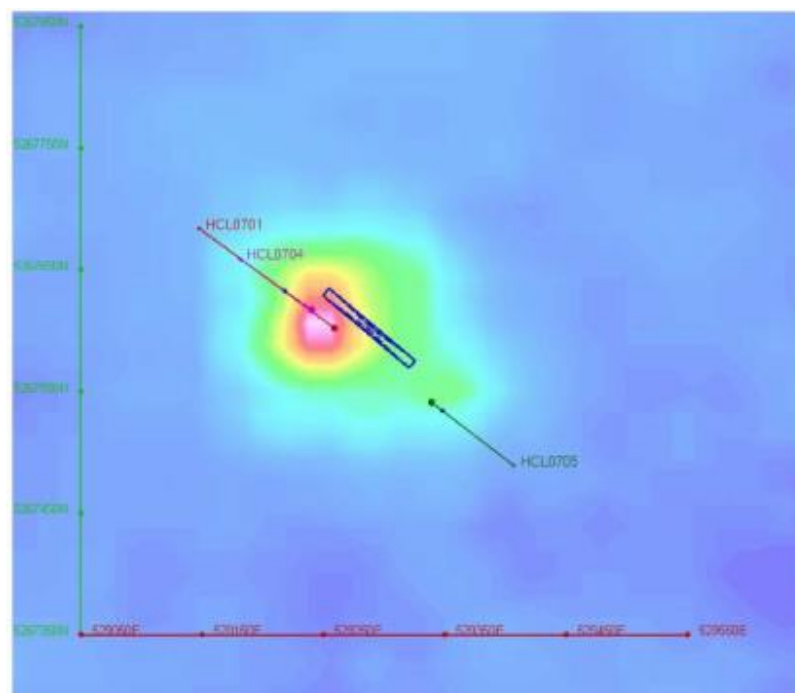


Figure 2: VTEM B-Field Channel 25 image showing Klondike drill traces (labelled at the EOH) and modelled plate (blue). NAD83 Datum, UTM Zone 17 North coordinate system

No targets have been adequately drill tested, with evidence suggesting the drilling was completed without reference to the VTEM or IP results. Further work is recommended for all targets.

In the September 2018 quarter, the Company plans to ground inspect each target to ensure the EM and IP responses are not due to cultural objects, with coincident mapping and geochemical sampling.

Dalgaranga Project (Ta-Li-Rb-Nb)

The Dalgaranga Project is located 80km north-west of Mount Magnet in Western Australia and is considered prospective for Tantalum, Lithium, Niobium and Rubidium. 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.

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Previous drilling results revealed that several elements, including Be, Cs, Ge, K, Rb, Sn, Ta, Tl and W, exhibit systematic zonation in and around the pegmatites on the Dalgara property. The association between these elements is characteristic and supports the presence of an LCT or Lithium-Cesium-Tantalum Pegmatite at Dalgara.

During the June 2018 quarter, the Company was granted three new prospecting tenements (P59/2140, P59/2141 and P59/2142) adjoining the existing Dalgara Project (P59/2082). A program of geological mapping and collation of all available historical exploration data on the newly acquired project area will commence in due course.

Mac Well Project (Be-Li)

The Mac Well Project has a land area of 66.9km² and is located 10km west of the Company's Dalgara Project.

A desktop review was completed during the quarter, with multiple areas identified as prospective for saprolitic nickel-cobalt and pegmatite-hosted lithium and beryl. The Company identified three target zones in the desktop review on which mobile metal ion (MMI) soil geochemistry sampling commenced post quarter end.

Corporate

On 9 April 2018, the Company issued 15,000,000 ordinary shares at a price of \$0.035 per share to raise \$525,000.

At the end of quarter, the Company holds \$0.7m in cash with no debt.

On 13 July 2018, the Company held a general meeting to ratify all prior issue of securities under listing rule 7.1 and 7.1a as well as obtain future placement approval to raise up to \$1,500,000 during the period of 3 months after the general meeting. All resolutions were passed by shareholders.

Krakatoa reviewed a number of opportunities during the June 2018 quarter. The Company continues to assess new opportunities that will add value for shareholders.

Yours faithfully,

Colin Locke
Executive Chairman

Competent person's statement:

The information in this announcement is based on information compiled by Mr Jonathan King, consultant geologist, who is a Member of the Australian Institute of Geoscientists and employed by Collective Prosperity Pty Ltd, and is an accurate representation of the available data and studies for the claim blocks. 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 announcement of the matters based on this information in the form and context in which it appears.

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Appendix 1 - Details of Tenements Held at 30 June 2018

Project	Tenement Licence	Interest held at 31 March 2018	Interest acquired/ disposed	Interest held at 30 June 2018
Dalgaranga	P59/2082	100%	-	100%
Dalgaranga	P59/2140	-	100%	100%
Dalgaranga	P59/2141	-	100%	100%
Dalgaranga	P59/2142	-	100%	100%
Mac Well	E59/2175	100%	-	100%
Farr	131986	-	100%	100%
Farr	131987	-	100%	100%
Farr	148579	-	100%	100%
Farr	162115	-	100%	100%
Farr	204704	-	100%	100%
Farr	233431	-	100%	100%
Farr	233432	-	100%	100%
Farr	251322	-	100%	100%
Farr	251323	-	100%	100%
Farr	300021	-	100%	100%
Farr	317324	-	100%	100%
Farr	330653	-	100%	100%
Corkill- Lawson	113077	-	100%	100%
Corkill- Lawson	127453	-	100%	100%
Corkill- Lawson	139501	-	100%	100%
Corkill- Lawson	155382	-	100%	100%
Corkill- Lawson	155383	-	100%	100%
Corkill- Lawson	170037	-	100%	100%
Corkill- Lawson	170038	-	100%	100%
Corkill- Lawson	170039	-	100%	100%
Corkill- Lawson	170568	-	100%	100%
Corkill- Lawson	191476	-	100%	100%
Corkill- Lawson	200011	-	100%	100%
Corkill- Lawson	200012	-	100%	100%
Corkill- Lawson	203607	-	100%	100%
Corkill- Lawson	203626	-	100%	100%
Corkill- Lawson	210246	-	100%	100%
Corkill- Lawson	228787	-	100%	100%
Corkill- Lawson	228800	-	100%	100%
Corkill- Lawson	228801	-	100%	100%
Corkill- Lawson	237094	-	100%	100%
Corkill- Lawson	237095	-	100%	100%
Corkill- Lawson	247658	-	100%	100%
Corkill- Lawson	267268	-	100%	100%
Corkill- Lawson	267287	-	100%	100%
Corkill- Lawson	267288	-	100%	100%
Corkill- Lawson	286779	-	100%	100%
Corkill- Lawson	294811	-	100%	100%
Corkill- Lawson	307478	-	100%	100%
Corkill- Lawson	307479	-	100%	100%
Corkill- Lawson	307480	-	100%	100%
Corkill- Lawson	307504	-	100%	100%
Corkill- Lawson	307505	-	100%	100%
Corkill- Lawson	314207	-	100%	100%
Corkill- Lawson	314208	-	100%	100%
Corkill- Lawson	314209	-	100%	100%
Corkill- Lawson	314210	-	100%	100%
Corkill- Lawson	314211	-	100%	100%
Corkill- Lawson	314212	-	100%	100%
Corkill- Lawson	323368	-	100%	100%
Corkill- Lawson	335102	-	100%	100%
Corkill- Lawson	335103	-	100%	100%

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