



Interim Financial Report
For the Half-Year Ended December 2018

KRAKATOA RESOURCES LIMITED
INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2018

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KRAKATOA RESOURCES LIMITED

CORPORATE DIRECTORY

EXECUTIVE CHAIRMAN

Colin Locke

NON-EXECUTIVE DIRECTORS

Timothy Hogan

David Palumbo

COMPANY SECRETARY

David Palumbo

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AUDITORS

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STOCK EXCHANGE CODE

KTA

KRAKATOA RESOURCES LIMITED

DIRECTORS' REPORT

Your directors submit the financial report of the Krakatoa Resources Limited and controlled entities (referred to hereafter as “the Group”) for the half-year ended 31 December 2018.

DIRECTORS

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

Colin Locke Executive Chairman
Timothy Hogan Non-Executive Director
David Palumbo Non-Executive Director

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial period was mineral exploration and evaluation of acquisition opportunities.

RESULTS

The loss after tax for the half-year ended 31 December 2018 was \$303,422 (2017: \$492,548).

REVIEW OF OPERATIONS

Dalgaranga Project

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.

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 Dalgaranga property. The association between these elements is characteristic and supports the presence of an LCT or Lithium-Cesium-Tantalum Pegmatite at Dalgaranga.

During the half year ended 31 December 2018, collation of all available historical exploration data on the project area commenced in preparation for a field program in the upcoming half year.

Mac Well Project

The Mac Well Project has a land area of 66.9km² and is located 10km west of the Company’s Dalgaranga Project. The Project contains a 7.5km strike along the prospective Warda Warra greenstone belt, mostly untested due to a thick transported cover.

During the half year ended 31 December 2018, a desktop study and multi-element MMI (“mobile metal ion”) soil geochemical survey on historical nickel and gold targets identified in the Warda Warra Greenstone Belt was completed.

The Company concluded from its initial programmed that favourable structural conditions for gold mineralisation are likely within the Mac Well tenement, acknowledging the significance and prospectivity of the western granite-greenstone contact, as evidenced by the Western Queen Mine.

KRAKATOA RESOURCES LIMITED

DIRECTORS' REPORT

In addition, WMC's historical gold prospectivity model for the Warda Warra Greenstone Belt identified the importance of northeast-trending lineaments, such as the Stewart and Western Queen Zones, as a critical control on gold mineralisation within the belt.

The Company subsequently undertook a structural review of magnetic data within the Mac Well Project to identify prospective gold targets suitable for follow-up with surface geochemical sampling (MMI). Core Geophysics completed their review and identified 9 target zones for follow up based on:

- open file aeromagnetic data;
- proximity to an interpreted granite-greenstone contact;
- intersections of this contact by NE-SW trending shears/faults considered representative of structural trends paralleling the Stewart Zone trend;
- the intersection of NW and NE structural trends with other cross-cutting structures.

The Company is encouraged by the findings and will commence planning to test the identified target zones in the upcoming half year.

Corkill-Lawson and Farr Projects

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.

On 2 July 2018, the Company announced the identification of 11 targets prospective for silver-cobalt-nickel mineralisation based on reprocessing versatile time electromagnetic (VTEM) and ground induced polarisation (IP) data. The interpreted targets lie within or immediately adjacent to the confirmed 3.2km of strike of Nipissing Diabase sill covered by the claim block.

During the half year ended 31 December 2018, the Company engaged Canadian Exploration Services Ltd to investigate the 11 target areas for potential mineralisation and validate the historical exploration by locating the collars to previously drilled holes. Each target was prospected for outcrop and/or reason for the anomaly. Rock chips were taken where outcrop was identified or soil samples collected where not, with five samples in a perpendicular cross across the target area. Samples were collected in the soil "B" horizon.

Seven rock samples were collected when outcrop was present. These were noted to contain chalcopyrite and aplite, which may indicate proximal mineralisation. Additionally, a preliminary soil sampling program was completed where no outcrop was present, with several indicating elevated base metal values. The areas are located near but not related to the historical drilling located within the project area. The results may indicate favourable base metal mineralisation lies near these sample locations.

Each target requires further consideration which will be the subject of future work. This work may involve further soil geochemistry using partial or selective extractions and ground IP

SUBSEQUENT EVENTS

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

KRAKATOA RESOURCES LIMITED

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half-year ended 31 December 2018 is set out on page 16.

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



Colin Locke
Executive Chairman

Perth
Dated: 6 March 2019

KRAKATOA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the Half-Year Ended 31 December 2018

	31 December 2018	31 December 2017
	\$	\$
Revenue	-	4,585
Administration expenses	(17,183)	(18,056)
Compliance and regulatory expenses	(105,457)	(113,921)
Employee benefits and consulting expense	(94,850)	(102,827)
Exploration expenditure and project evaluation costs	(63,807)	(31,379)
Share based payments expense	-	(210,000)
Travel and accommodation	(22,125)	(20,950)
Loss before income tax expense	(303,422)	(492,548)
Income tax expense	-	-
Loss after income tax expense for the half-year	(303,422)	(492,548)
Other comprehensive loss	-	-
Total comprehensive loss for the half year	(303,422)	(492,548)
Net loss for the half-year is attributable to:		
Members of the parent entity	(303,422)	(492,548)
	(303,422)	(492,548)
Total comprehensive loss for the half year is attributable to:		
Members of the parent entity	(303,422)	(492,548)
	(303,422)	(492,548)
Basic and diluted loss per share (cents per share)	(0.26)	(0.49)

The accompanying notes form part of this financial report

KRAKATOA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	31 December 2018 \$	30 June 2018 \$
CURRENT ASSETS			
Cash and cash equivalents		277,308	685,709
Trade and other receivables		6,222	11,958
Other assets		6,499	-
TOTAL CURRENT ASSETS		290,029	697,667
NON-CURRENT ASSETS			
Exploration and evaluation expenditure		1,010,190	933,126
TOTAL NON-CURRENT ASSETS		1,010,190	933,126
TOTAL ASSETS		1,300,219	1,630,793
CURRENT LIABILITIES			
Trade and other payables		40,292	67,444
TOTAL CURRENT LIABILITIES		40,292	67,444
TOTAL LIABILITIES		40,292	67,444
NET ASSETS		1,259,927	1,563,349
EQUITY			
Issued capital		9,093,382	9,093,382
Reserves		1,544,885	1,544,885
Accumulated losses		(9,378,340)	(9,074,918)
TOTAL EQUITY		1,259,927	1,563,349

The accompanying notes form part of this financial report

KRAKATOA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half-Year Ended 31 December 2018

	Issued Capital	Option Premium Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2017	8,509,736	1,307,885	(8,274,736)	1,542,885
Loss for the period	-	-	(492,548)	(492,548)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(492,548)	(492,548)
<i>Transactions with owner directly recorded in equity:</i>				
Shares issued during the period	-	-	-	-
Options issued during the period	-	210,000	-	210,000
Less: Transaction costs arising from issue of shares	(10,514)	-	-	(10,514)
Balance at 31 December 2017	8,499,222	1,517,885	(8,767,284)	1,249,823
Balance at 1 July 2018	9,093,382	1,544,885	(9,074,918)	1,563,349
Loss for the period	-	-	(303,422)	(303,422)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(303,422)	(303,422)
<i>Transactions with owner directly recorded in equity:</i>				
Shares issued during the period	-	-	-	-
Options issued during the period	-	-	-	-
Less: Transaction costs arising from issue of shares	-	-	-	-
Balance at 31 December 2018	9,093,382	1,544,885	(9,378,340)	1,259,927

The accompanying notes form part of this financial report

KRAKATOA RESOURCES LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Half-Year Ended 31 December 2018

	31 December 2018	31 December 2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(267,530)	(244,679)
Exploration expenditure and project evaluation costs	(140,871)	(147,338)
Interest received	-	4,585
	<hr/>	<hr/>
Net cash used in operating activities	(408,401)	(387,432)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for exploration assets	-	-
	<hr/>	<hr/>
Net cash used in investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	-	-
Payments for capital raising costs	-	(43,450)
	<hr/>	<hr/>
Net cash used in financing activities	-	(43,450)
Net decrease in cash held	(408,401)	(430,882)
Cash and cash equivalents at beginning of period	685,709	1,007,728
	<hr/>	<hr/>
Cash and cash equivalents at end of reporting period	277,308	576,846

The accompanying notes form part of this financial report

KRAKATOA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Half-Year Ended 31 December 2018

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 2018 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The Group 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 2018 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 Group 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 Group's accounting policies.

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

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of \$303,422 and had net cash outflows from operating activities of \$408,401 for the half-year ended 31 December 2018. As at that date the Group had net current assets of \$237,016. The ability of the Group to continue as a going concern is principally dependent upon the ability of the Group to secure funds by raising additional capital from equity markets and managing cash flows in line with available funds.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration that the Group plans to issue additional equity securities, to raise further working capital. The Directors are confident the Group will be successful in sourcing further capital to fund the ongoing operations of the Group.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

KRAKATOA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Half-Year Ended 31 December 2018

2. DIVIDENDS

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

3. SEGMENT INFORMATION

The Group 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 Group 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 2018, the Group had no development assets. The Board considers that it has only operated in one segment, being mineral exploration.

The Group is domiciled in Australia. All revenue from external customers are only generated from Australia.

No revenues were derived from a single external customer.

4. EVENTS SUBSEQUENT TO REPORTING PERIOD

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

5. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

KRAKATOA RESOURCES LIMITED

DIRECTORS' DECLARATION

For the Half-Year Ended 31 December 2018

In the opinion of the Directors of Krakatoa Resources Limited (the Group):

1. The financial statements and notes thereto of the Group, 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 Group's financial position as at 31 December 2018 and its performance for the half-year then ended.
2. In the Directors' opinion there are reasonable grounds to believe that the Group 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



Colin Locke
Executive Chairman

Perth
Dated: 6 March 2019

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**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 2018, 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 internal 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 2018 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.

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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 2018 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*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a loss of \$303,422 and had net cash outflows from operating activities of \$408,401 for the half-year ended 31 December 2018 and, as of that date, the consolidated entity had net current assets of \$237,016. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

RSM
RSM AUSTRALIA PARTNERS


ALASDAIR WHYTE
Partner

Perth, WA
Dated: 6 March 2019



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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 2018, 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
RSM AUSTRALIA PARTNERS


ALASDAIR WHYTE
Partner

Perth, WA
Dated: 6 March 2019

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