

24 January 2020

Krakatoa Identifies Porphyry Targets for High Impact Drill Program, Molong Volcanic Belt

- ***Multiple targets identified through aeromagnetic survey and fieldwork across the Bell Valley area, part of Krakatoa's Belgravia Project, in Australia's copper-gold porphyry discovery epicentre***
- ***Application lodged to undertake an aircore drill program in the Bell Valley area, where no previous drilling has occurred***
- ***Field mapping identified copper sulphide (chalcopyrite) hosted by monzodiorite and other intrusive host rocks ideal for porphyry and/or skarn-type mineralisation***
- ***Interpreted magnetic and structural targets:***
 - ***situated along strike from the copper-gold geochemical trend discovered through reprocessing of historical RAB drilling;***
 - ***located within 400m of a shallow RC drill hole historically completed by Newcrest that intersected 30m @ 0.2g/t Au including 1m @ 1.15g/t Au & 0.28% Cu¹;***
 - ***feature a significant demagnetised zone that results from (potentially mineralised) fluids exiting a magmatic source and migrating to higher crustal levels where they overprint (destroy) the existing magnetite;***
 - ***coincide or lie adjacent to a northwest-trending structure interpreted to control emplacement of nearby mineralised granitic complexes (CHIC and LLIC);***
 - ***several doughnut-shaped magnetic patterns thought to reflect the intrusion of porphyritic rocks.***
- ***Geological and geophysical analogues to the Copper Hill and Cadia Valley copper-gold porphyry deposits observed***
- ***Multiple mineralised opportunities within Bell Valley target area, which sits within the Copper Hill igneous complex, host to the Copper Hill deposit containing a global resource of 87Mt @ 0.32% copper & 0.27g/t gold²***
- ***A total of 87 rock chip specimens collected and submitted to ALS for analysis***

¹ Krakatoa Resources (ASX: KTA) announcement dated 3 December 2019 and titled "Krakatoa recognises second porphyry target at Belgravia"

² Golden Cross Resources (ASX: GCR) announcement dated 24 March 2015 and titled "updated JORC 2012 compliant Resource Estimate"



ASX Code
KTA, KTAOC

Capital Structure

175,000,000 Fully Paid Shares
85,000,000 Options @ 5c exp 31/07/21
5,000,000 Options @ 7.5c exp 31/07/21
12,000,000 Options @ 10c exp 24/10/20

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Krakatoa Resources Limited (ASX: KTA) (“Krakatoa”, “the Company”) is pleased to announce several significant and positive developments at its 100% owned Belgravia Project, located in the central part of the Molong Volcanic Belt (MVB), NSW.

Systematic exploration completed by the Company within the Bell Valley area at Belgravia included an Unmanned Aerial Vehicle (UAV) aeromagnetic survey in conjunction with field mapping and rock chip sampling. The work identified several targets with geological elements similar to known deposits elsewhere within the MVB. The Company has subsequently lodged an application to undertake a high impact air-core drilling program to rapidly advance exploration at Belgravia.

Drone Aeromagnetic Survey

As announced on 27 November 2019, an UAV aeromagnetic survey was undertaken by Thomson Aviation over the Bell Valley area. The survey was flown east-west on a 25m line spacing with north-south tie lines every 250m and at a flying height of 30-35m.

Upon receipt of the data, the Company applied a Laplacian filter to the “Reduced to Pole” (RTP) aeromagnetic data. The Laplacian filter is an edge detection filter that highlights magnetic bodies and linear structural features to delineate areas of interest. The colour RTP aeromagnetic data overlying the Laplacian filtered aeromagnetic data is used to indicate the amplitude of the underlying magnetic response, with magenta being high magnetic susceptibility and blue denoting low magnetic susceptibility.

Importantly, the work identified several magnetic and structural features demanding immediate investigation (Figure 1) due to their geological similarity to the adjacent Copper Hill and Cadia Valley copper-gold deposits. Field mapping by Krakatoa and nearby historical exploration activity support several opportunities within the Bell Valley area, which sits within the Copper Hill Igneous Complex, host to the Copper Hill deposit containing a global resource of 87Mt @ 0.32% copper & 0.27g/t gold (comprised indicated resources of 47Mt @ 0.39g/t Au and 0.4% Cu and inferred resources of 40Mt @ 0.24g/t Au and 0.32% Cu, using a 0.2% copper cut-off grade)².

These similarities include:

- doughnut-shaped magnetic patterns thought to reflect the intrusion of porphyritic rocks;
- identification of the right host rocks, including those with breccia textures within the survey area;
- presence of the key target minerals including gold and copper;
- zoned mineral alteration and geochemical patterns;
- feature a significant demagnetised zone indicative of fluid movement from depth;
- coincide or lie adjacent to a northwest-trending structure interpreted to control emplacement of nearby mineralised granitic complexes (CHIC and LLIC);

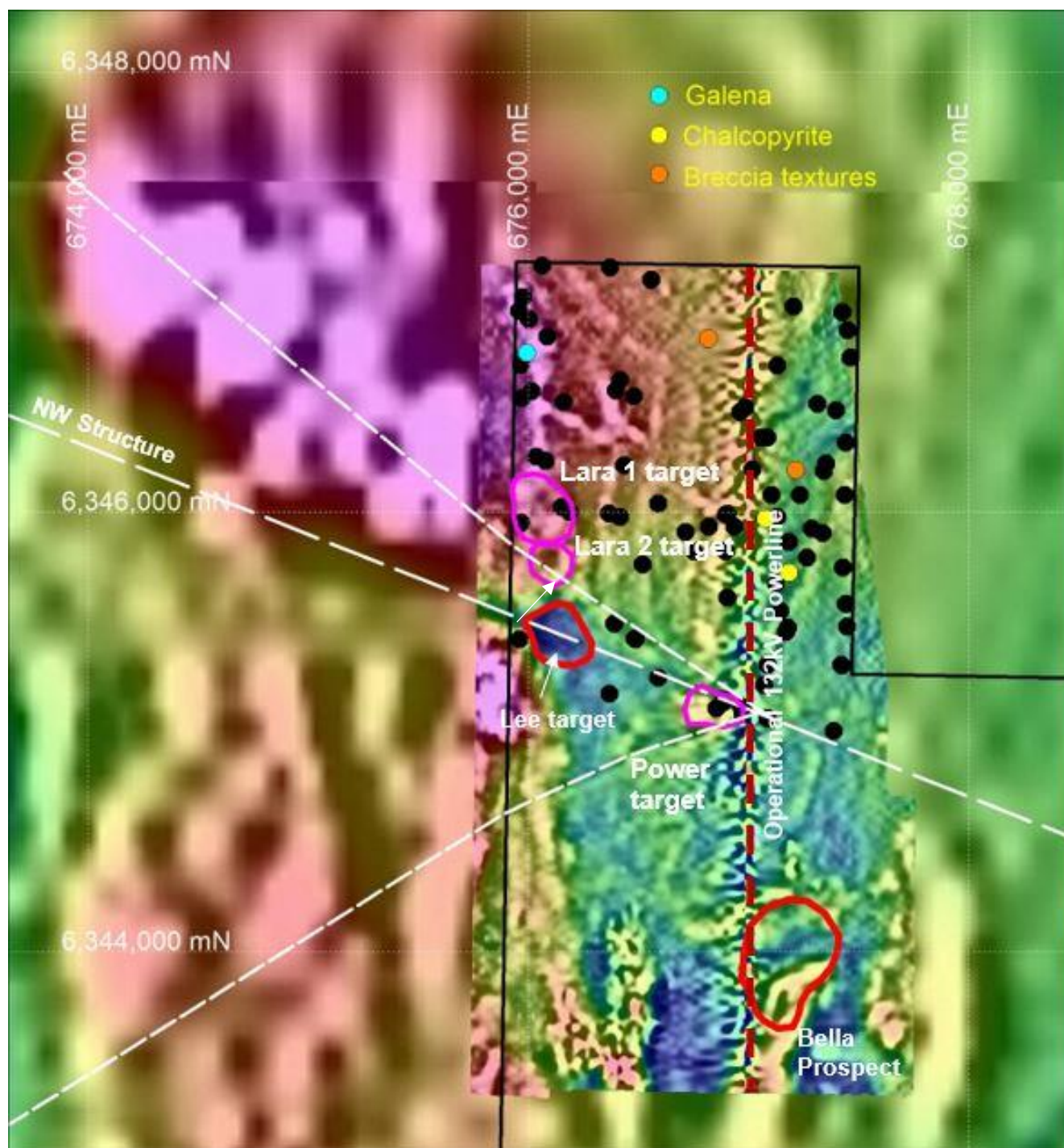


Figure 1: Laplacian filter applied to high-resolution UAV magnetic survey with interpreted features including structure, drilling prospects (Larras and Bella), rock chip samples and demagnetised zone.

Prospect Discussion

Lara 1 and Lara 2 Targets

The interpreted drill-ready targets, Lara 1 and Lara 2, lie adjacent to a substantial demagnetised zone, and coincident with a northwest-trending splay off a regional structure believed to control emplacement of the nearby mineralised Copper Hills Igneous Complex. This splay is believed to influence the distribution of copper and gold mineralisation at the adjacent 1995 Larras Lake discovery by MIM. The discovery was subsequently RC drilled by Newcrest returning 30m @ 0.2g/t Au¹.

The geochemical trends can be witnessed extending through the interpreted targets, which also feature distinct doughnut shaped magnetic patterns considered characteristic of *porphyry* intrusion. Intensely epidote and silica altered rocks were identified at the targets during field mapping.

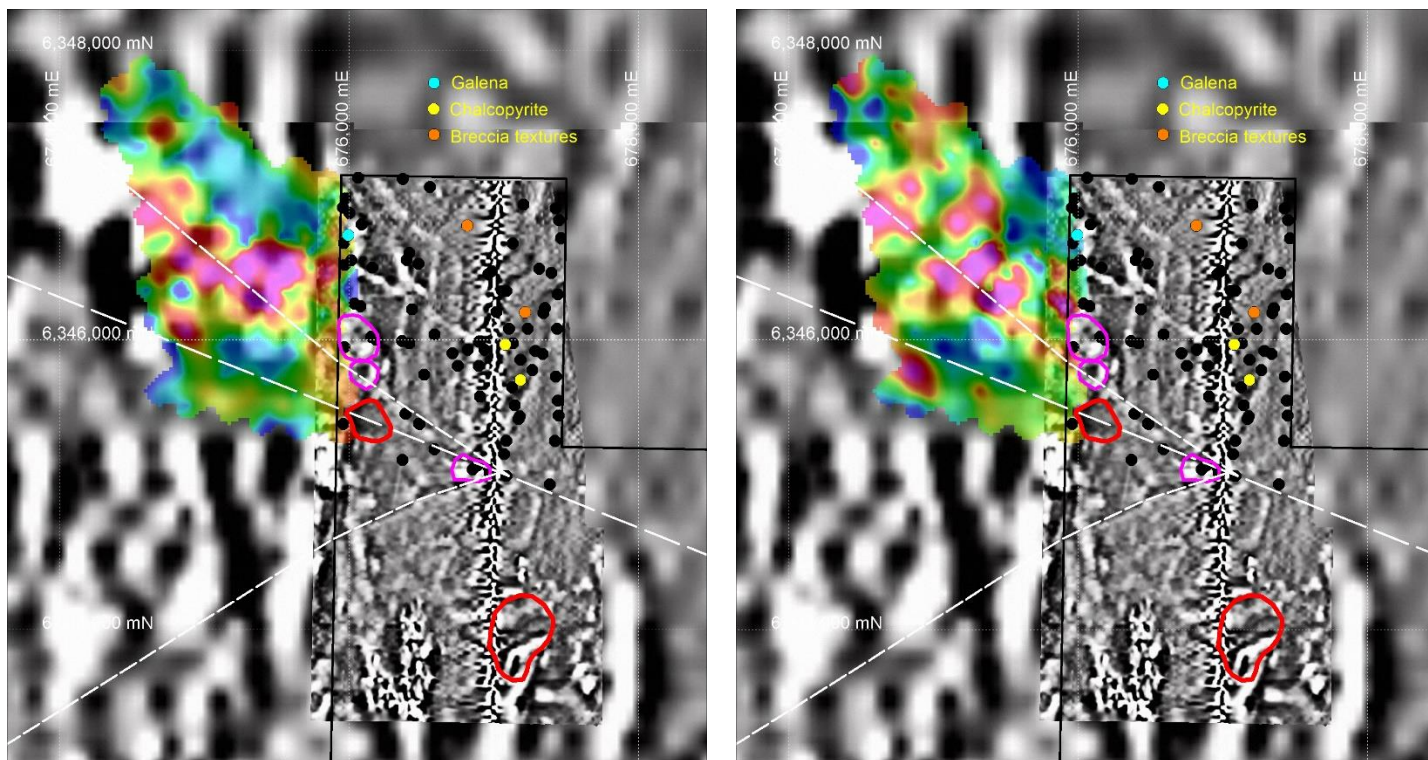


Figure 2: Gold (left) and copper (right) geochemistry from the historical Larras Lake anomaly identified by MIM/Newcrest geochemistry. Gold and copper trends from Larras Lake extend towards the new Larras target, and both gold and copper show a level of enrichment over the Bella drill target.

Lee Target

A demagnetised zone results when (potentially mineralised) fluids exiting a magmatic source migrate to higher crustal levels where they overprint and subdue or destroy the existing magnetite via metasomatism or hydrothermal alteration.

Magnetite-destructive alteration (demagnetisation) is a common feature of porphyry deposits, because the advanced alteration stages produce a large outer halo of disseminated pyrite, among other minerals.

Bella Prospect

The Bella Prospect has been described previously by the Company. The Bella drill target lies within the eastern limits of the mineralised Copper Hill Igneous Complex, host to the Copper Hill deposit. The doughnut pattern associated with the Bella target witnessed in earlier announcements by the Company remains present, but is obscured by the influence of the electric field associated with the north-south running 132KV powerline.

Power Target

Coincides with a slightly magnetised diorite outcrop bifurcated by several NW to SW-trending structures. The outcrop is extensively invaded by vein quartz.

Other Targets

Other targets include outcrops of weakly epidote-altered granodiorite or strongly chlorite-epidote-quartz altered lithic tuff, respectively containing disseminations of visible copper and galena. Several zones of brecciation have been observed during mapping but their economic implications remain unclear.

Field Program

In tandem with the Drone Aeromagnetic Survey, the Company implemented a campaign of field mapping and rock chip sampling across the Bell Valley target area.

The comprehensive mapping program has established the presence of dioritic host rocks which display classic porphyry-style alteration like that present at the nearby Copper Hills and Cadia deposits. The alteration includes widespread distal chlorite-epidote and locally more proximal hematite and silica. The presence of these minerals and the rock type itself is typically associated with copper-gold deposits.

So far, 87 rock chips have been collected from across the survey area and submitted for analysis as part of the mapping campaign. Some rock samples contain visible chalcopyrite (Figure 3) or galena. Assays for the rock chips are anticipated for release in late February.



Figure 3: Visible chalcopyrite mineralisation and epidote alteration in sample of granodiorite from the Larras UAV mapping grid.

Proposed Drill Program

To quickly advance exploration at Belgravia, the Company will implement an 87-hole air-core drill program (Figure 4). The program will test multiple drill targets, focusing on the northern and southern edges of the Copper Hill and Larras Lake igneous complexes, the demagnetised zone between the complexes and along the NW-trending structure. Drilling will commence upon receipt of the appropriate approvals.

Additionally, the Company has made an application through the NSW Government's New Frontiers Cooperative Drilling program to receive co-funding for a 600m diamond drill hole at the Bella Prospect. The program provides grants to exploration companies to assist in exploration drilling programs and encourage greenfields exploration in the state. Allocation of co-funding is expected to be determined this quarter.

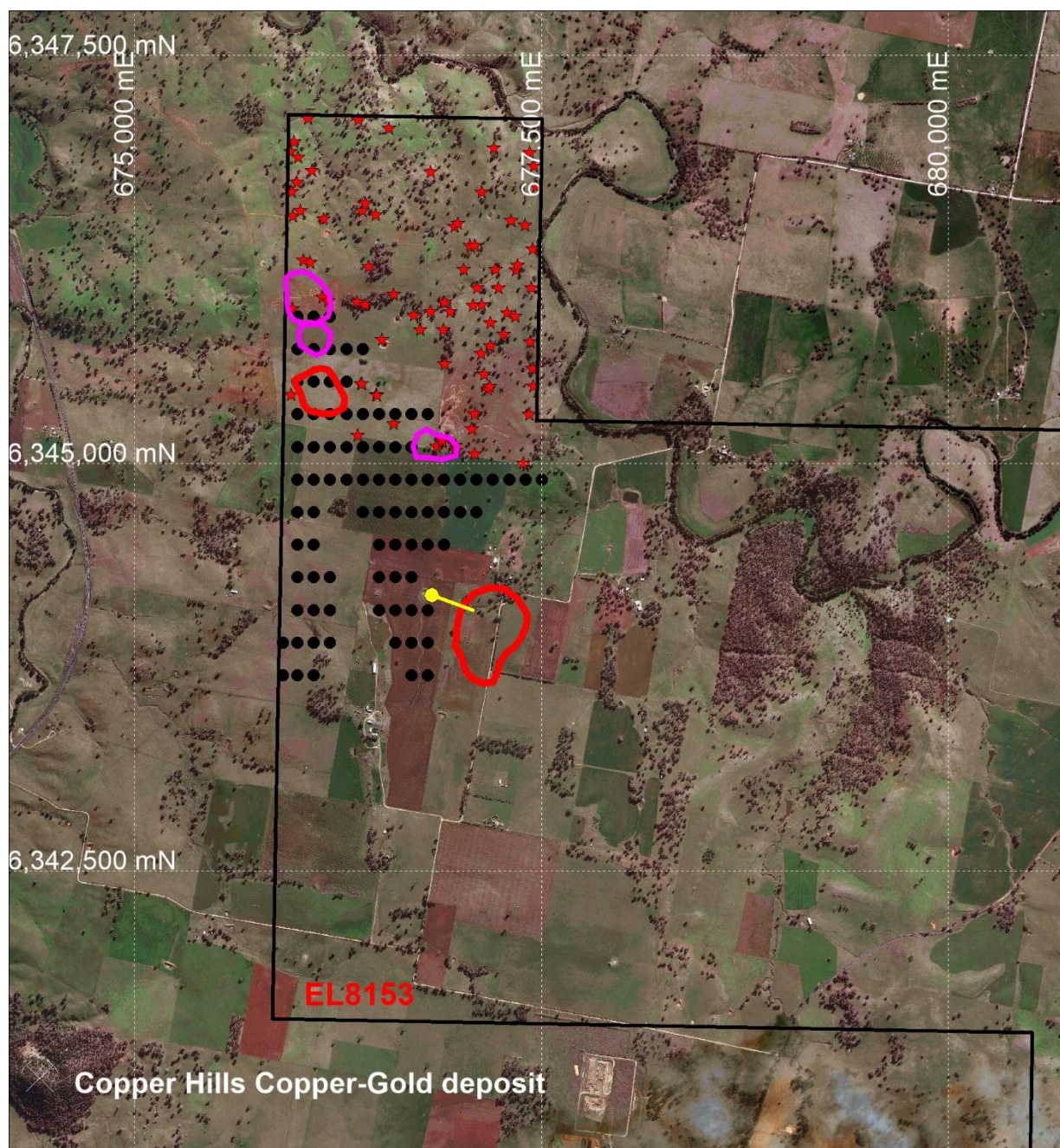


Figure 4: Proposed air-core drilling program (in black), co-funded application drill hole (in yellow) and rock chip sample locations (red stars) Larras UAV grid.

Authorised for release by the Board.

FOR FURTHER INFORMATION:

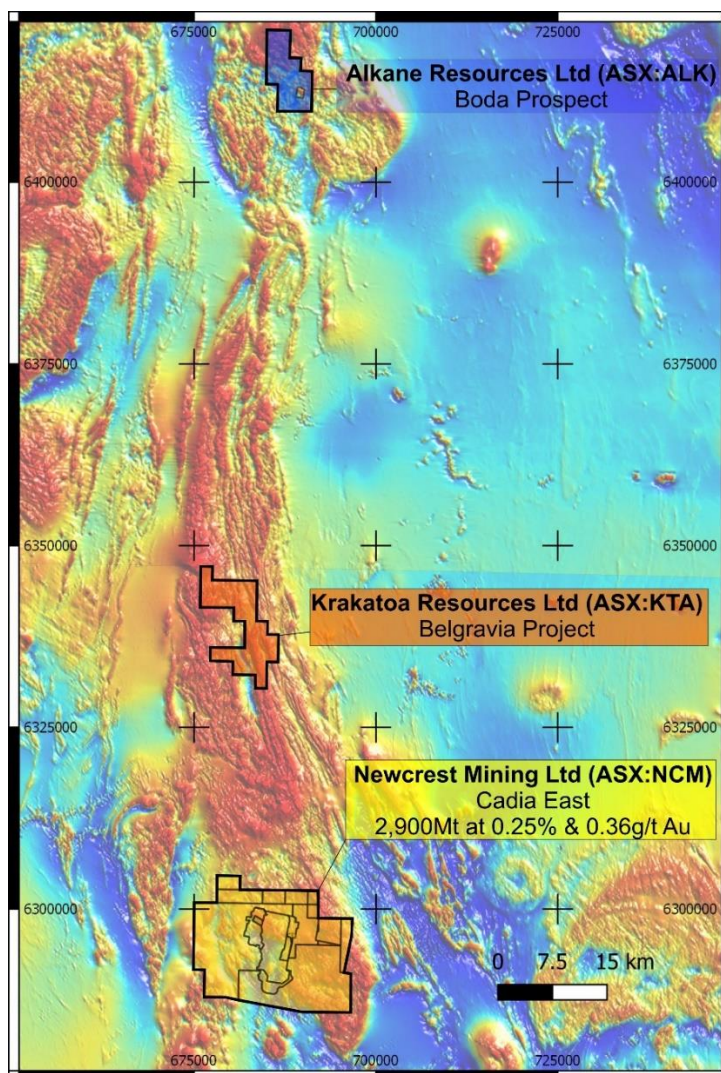
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ABOUT BELGRAVIA PROJECT:

The Belgravia Project covers an area of 80km² and is located in the central part of the Molong Volcanic Belt (MVB), which forms as part of the East Lachlan province within the Lachlan Fold Belt, NSW. The East Lachlan region constitutes the largest porphyry province in Australia.

The Project lies approximately 7km east of the township of Molong and 20km northwest of the regional centre of Orange, providing excellent road, rail, power, gas and water infrastructure.

The Belgravia Project has six initial targets considered highly prospective for porphyry Cu-Au and associated skarn Cu-Au. Historical exploration appears to have failed to adequately consider the regolith and tertiary basalt (up to 40m thick) that obscures much of the prospective geology.



Disclaimer

Forward-looking statements are statements that are not historical facts. Words such as “expect(s)”, “feel(s)”, “believe(s)”, “will”, “may”, “anticipate(s)” and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to statements regarding future production, resources or reserves and exploration results. All of such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include, but are not limited to: (i) those relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations, (ii) risks relating to possible variations in reserves, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined, (iii) the potential for delays in exploration or development activities or the completion of feasibility studies, (iv) risks related to commodity price and foreign exchange rate fluctuations, (v) risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities, and (vi) other risks and uncertainties related to the Company’s prospects, properties and business strategy. Our audience is cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof, and we do not undertake any obligation to revise and disseminate forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of or non-occurrence of any events.

Competent Persons Statement

The information in this announcement is based on and fairly represents 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 Project. 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.

JORC Code, 2012 Edition – Table 1 report template

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	- Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. - Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. - Aspects of the determination of mineralisation that are Material to the Public Report. - In cases where ‘industry standard’ work has been done this would be relatively simple (eg ‘reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay’). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.	- Unmanned Aerial Vehicle (UAV) aeromagnetic survey flown by Thomson Aviation Pty Ltd. - East-West traverse lines at 25m spacing. - North-South tie-lines at 250m spacing. - Along line sampling at 0.03 – 0.5m. 30m survey sensor height. 325 line kilometres acquired. - Acquired with a HexCopter Hybrid Heavy Lift Multirotor UAV. 3-Axis High Sensitivity Fluxgate Sensors. +/- 0.15 nT Sensor Magnetic Noise 2m GPS accuracy. - Diurnal variations corrected with a local base station. - Final data processed and provided by Thomson Aviation as a located database, TMI grid and processed derivatives.
Drilling techniques	Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).	N/A
Drill sample recovery	- Method of recording and assessing core and chip sample recoveries and results assessed. - Measures taken to maximise sample recovery and ensure representative nature of the samples. - Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	N/A

Criteria	JORC Code explanation	Commentary
Logging	- Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. - Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. - The total length and percentage of the relevant intersections logged.	N/A
Sub-sampling techniques and sample preparation	- If core, whether cut or sawn and whether quarter, half or all core taken. - If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. - For all sample types, the nature, quality and appropriateness of the sample preparation technique. - Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. - Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. - Whether sample sizes are appropriate to the grain size of the material being sampled.	N/A
Quality of assay data and laboratory tests	- The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. - For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. - Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.	N/A
Verification of sampling and assaying	- The verification of significant intersections by either independent or alternative company personnel. - The use of twinned holes. - Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. - Discuss any adjustment to assay data.	Located and gridded data stored in digital format by the company.

Criteria	JORC Code explanation	Commentary
Location of data points	- Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. - Specification of the grid system used. - Quality and adequacy of topographic control.	The UAV survey was acquired in MGA94Z55 with an accuracy of 2m.
Data spacing and distribution	- Data spacing for reporting of Exploration Results. - Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. - Whether sample compositing has been applied.	- Data spacing is suitable for the exploration stage, which is mostly at the reconnaissance level - The work completed was appropriate for the exploration stage
Orientation of data in relation to geological structure	- Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. - If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	N/A
Sample security	The measures taken to ensure sample security.	N/A
Audits or reviews	The results of any audits or reviews of sampling techniques and data.	N/A

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	- Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. - The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.	- The Belgravia Project (EL8153) is beneficially-owned by Krakatoa Resources Ltd who acquired the license from Locksley Holdings. - The company holds 100% interest and all rights in the Belgravia Project
Exploration done by other parties	Acknowledgment and appraisal of exploration by other parties.	The only previous aeromagnetic survey acquired in the area are by the NSW government at 250m line spacing.
Geology	Deposit type, geological setting and style of mineralisation.	Volcanism within Molong Volcanic Belt, as part of the Macquarie Arc in the Lachlan Fold Belt, relates to distinct groups and ages of porphyritic intrusion that vary from monzodiorite-diorite through monzonite-granodiorite compositions and correspond with porphyry copper-gold and epithermal gold-silver mineralisation
Drill hole Information	- A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: - easting and northing of the drill hole collar - elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar - dip and azimuth of the hole - down hole length and interception depth - hole length. - If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.	N/A.
Data aggregation methods	In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.	N/A

Criteria	JORC Code explanation	Commentary
	- Where aggregate intercepts incorporate short lengths of high-grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. - The assumptions used for any reporting of metal equivalent values should be clearly stated.	
Relationship between mineralisation widths and intercept lengths	- These relationships are particularly important in the reporting of Exploration Results. - If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. - If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').	N/A
Diagrams	Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.	- The pertinent maps for this stage of project are included in the release. - Co-ordinates in MGA94Z55
Balanced reporting	Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.	N/A
Other substantive exploration data	Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	Other geophysical data sets for the project area are available in the public domain. These have been recovered and reprocessed and integrated into the GIS environment to support future exploration
Further work	- The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). - Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.	- Mapping and rock geochemistry continuing. - Aircore drilling program as proposed - Further geophysical surveys as required