



KRAKATOA

RESOURCES LTD.

Interim Financial Report
For the Half-Year Ended December 2019

KRAKATOA RESOURCES LIMITED
INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2019

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KRAKATOA RESOURCES LIMITED

CORPORATE DIRECTORY

EXECUTIVE CHAIRMAN

Colin Locke

NON-EXECUTIVE DIRECTORS

Timothy Hogan

David Palumbo

COMPANY SECRETARY

David Palumbo

REGISTERED OFFICE

Level 11, 216 St Georges Terrace

PERTH WA 6000

Telephone: (08) 9481 0389

Facsimile: (08) 9481 6103

AUDITORS

RSM Australia Partners

Level 32 Exchange Tower

2 The Esplanade

PERTH WA 6000

SHARE REGISTRAR

Computershare Investor Services Pty Ltd

Level 11, 172 St Georges Terrace

PERTH WA 6000

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

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 2019.

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 2019 was \$1,508,905 (2018: \$380,486).

REVIEW OF OPERATIONS

During the financial period, the Company pivoted its activities towards the Belgravia Project and identifying targets in Australia’s best known porphyry jurisdiction – the Lachlan Fold Belt, NSW.

Belgravia Project

Background

The Belgravia Project covers an area of 80km² and 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. It is located in the central part of the Molong Volcanic Belt (MVB), between Newcrest Mining’s Cadia Valley Mine and Alkane Resources’ Northern Molong Porphyry Project and adjacent to the Copper Hill porphyry Cu-Au deposit.

On 5 December 2019, the Company completed the acquisition of the Belgravia Project, with all conditions precedent being satisfied. The Company paid AUD\$300,000, issued 10,000,000 fully paid ordinary shares and executed a deed for the 1% Net Smelter Royalty as consideration for the acquisition of the Project.

Due diligence

During the half year ended 31 December 2019, the Company undertook field-based due diligence at exploration licence 8153, comprising the Belgravia Project (“the Project”), after announcing a binding term sheet to acquire a 100% interest in the Project on 26 September 2019. The Company was extremely pleased with the findings from its technical due diligence, which confirmed the geological, structural and geophysical prospectivity of the Project and the six initial targets: Bell Valley, Guanna Hill, Sugarloaf Creek, Shades Creek, Strathmore and Nandillyan.

Key findings were:

- Belgravia lies in a very fertile metallogenic province, where copper-gold porphyry deposits typically occur in clusters, providing considerable potential for more discoveries;

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- Intense proximal albitisation and silica-saturation observed, similar to alteration seen at Newcrest's Cadia East Mine by experienced porphyry geologist and mining engineer Mr Ian Cooper;
- Large-scale and pervasive alteration identified, particularly at the Bell Valley Target, which lies over the eastern parts of the Copper Hill Igneous Complex;
- Bella Prospect, a doughnut-shaped magnetic pattern considered characteristic of porphyry intrusion, lies within 1km of noted alteration;
- Exceptionally located with the recently upgraded Mitchell Highway providing direct access to the Belgravia Project from the regional centre of Orange and township of Molong.

On 11 October 2019, the Company announced it had satisfactorily completed legal and technical due diligence on the Project and that it had provided written notice to Vendor, Locksley Holdings Pty Ltd, that it had elected to exercise the option to purchase the Project.

Review of historical work

Following technical due diligence, the Company moved swiftly to commence a detailed review of historical work, secure land access and undertake exploration activities at the targeted area, Bell Valley.

The Bell Valley target contains the eastern half of the Copper Hill Igneous Complex (CHIC) – see figure 1, which locally hosts the Copper Hill deposit with a total resource of 87Mt @ 0.32g/t Au & 0.36% Cu comprising indicated resources of 47Mt @ 0.39g/t Au & 0.4% Cu and inferred resources of 40Mt @ 0.24g/t Au & 0.32% Cu, using a 0.2% copper cut-off grade (Golden Cross Resources (ASX: GCR) announcement dated 24 March 2015 and titled “updated JORC 2012 compliant Resource Estimate”).

At its closet point to Belgravia, the Copper Hill deposit is only 1.5km away. It is also noted that the Copper Hill deposit is sparsely drilled below 350 metres vertically and there is good potential for depth extensions.

The Bell Valley target also contains a second substantial system prospective for porphyry mineralisation, the Larras Lake Igneous Complex (LLIC) – see figure 1. A review of previous work done by Mount Isa Mines (MIM) and Newcrest at the LLIC, highlighted the highly prospective nature of the target area.

Historical drilling results from MIM's 233 vertical hole Rotary Air Blast (RAB) program completed at the LLIC in 1995 were digitised. The drilling comprised mostly shallow (averaging 8m or less) holes sampled in 3-metre composites, with a maximum depth of 33m. The holes terminated at blade refusal.

Importantly, it was noted that the deepest holes are coincident with higher copper and gold results, and are supportive of an alteration trough being associated with the mineralizing event. The max value geochemistry for copper and gold also supported a strong southeasterly trend towards Belgravia.

In 1997 Newcrest Mining Limited drilled 4 Reverse Circulation (RC) holes to test earlier MIM RAB anomalies (defined as 200ppb Au and >300ppm Cu). The 4 inclined holes (-55°) each of a 200m length and sampled in one-metre increments, lie approximately 400 metres west of the Belgravia Project.

The limited historical drilling program by Newcrest supports the LLIC as being gold mineralised, with better results including:

- 30m @ 0.20 g/t Au from 163m (Hole: LLR004)
- 3m @ 1.02 g/t Au and 0.10% Cu from 56m (Hole: LLR004)
- 6m @ 0.26 g/t Au from 105m (Hole: LLR004)
- 6m @ 0.18g/t Au from 84m (Hole: LLR003)

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The review of drilling logs also identified the following:

- Numerous thin intersections of anomalous gold $\pm$ copper mineralisation are associated with quartz $\pm$ carbonated veins within volcanics and dioritic intrusives.
- Hematite alteration or “dusting” is associated with the higher grade and broader intervals of anomalous gold ($>100\text{ppb}$) delineated in the RC drilling. Generally, hematite dusting is restricted to the propylitic alteration zone related to porphyry Cu-Au deposits hosted by high-K calc-alkaline or shoshonitic intrusions with high oxidation states (e.g. Cadia).
- Pervasive sericite alteration which becomes more abundant in the lower parts of hole LLR004. Importantly, the alteration minerals and assemblages, and how they vary with mineralisation, offer important vectors towards mineralisation. Thus, in the example of Larras Lake, the alteration type and frequency of mineralised intersections increase in width and tenor at depth and towards the southeast suggesting the drilling was neither deep enough nor of sufficient density to outline a more substantial source, which may lie towards or in the Belgravia Project.

Newcrest reported that the tenor and alteration were similar to other recent discoveries in the Lachlan Fold Belt (without naming them), and recommended retaining the ground even with the prevailing low gold price. Newcrest exited the Joint Venture in 1999.

Krakatoa believes that the metal tenor and distribution, and that of the alteration minerals, support the theory that Newcrest drilled the periphery of a larger mineralised system that potentially lies at depth and direction consistent with the Company's Belgravia Project.

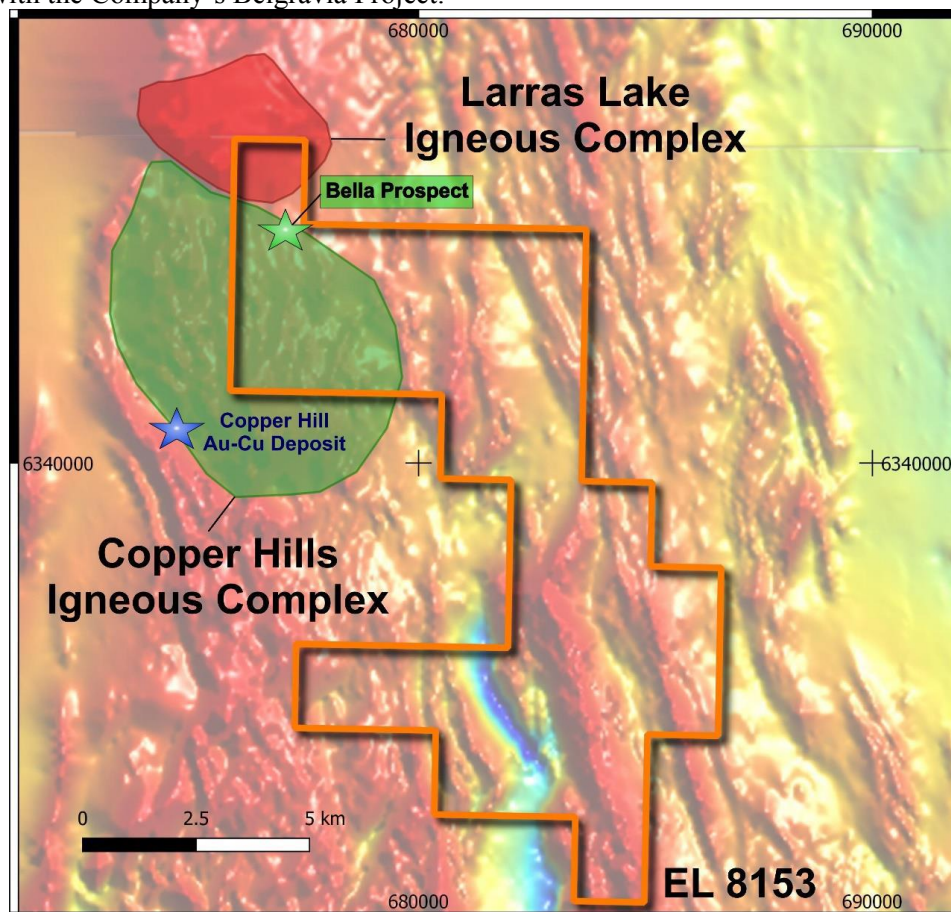


Figure 1: Location of the CHIC and LLIC in relation to the Belgravia Project

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Drone aeromagnetic survey

An Unmanned Aerial Vehicle (UAV) magnetics survey by Thomson Aviation on the Company's Bell Valley Target commenced in late November. The survey utilising UAV drone technology was flown at a flight height between 30m – 35m, on 25m line spacing in an east-west direction with tie lines every 250m in a north-south direction.

Results of the magnetics survey were received subsequent to period end and identified several magnetic and structural features (refer to figure 2).

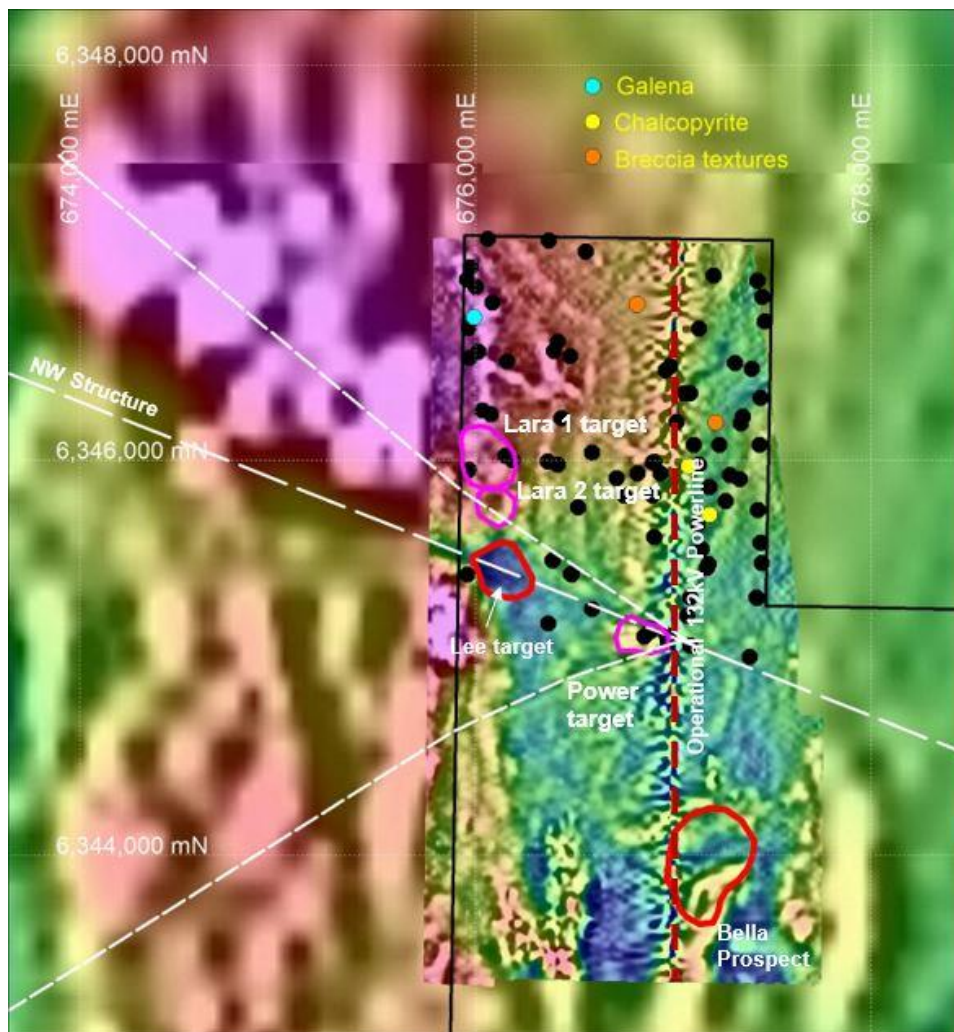


Figure 2: UAV magnetic survey with interpreted features including structure and prospects (Lara 1 and 2, Power, Lee and Bella)

These magnetic and structural features demand immediate investigation due to their geological similarity to the adjacent Copper Hill and Cadia Valley copper-gold deposits:

- 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% Cu;

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- 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.

Field Program

In tandem with the magnetics survey, the Company implemented a campaign of detailed 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 also host the nearby Copper Hills and Cadia deposits. The alteration in the host rocks 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.

Proposed aircore program

Subsequent to period end, the Company commenced an air-core drill program to 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.

Other target areas

Work is currently focussed on the Bell Valley (Copper Hill North East) target area. The five other target areas (Guanna Hill, Sugarloaf Creek, Shades Creek, Strathmore and Nandillyan) are yet to be systematically reviewed. Subsequent to period end, the Company commenced assessment of the Sugarloaf Creek target area.

Turon Project

On 25 November 2019, the Company announced the acquisition of the Turon Project, expanding the Company's landholding in the Lachlan Fold Belt, NSW, via direct licence application (ELA5882). The Turon was granted subsequent to period end.

The Turon Project covers an area of 120km² and is situated approximately 50km east of the Company's Belgravia Project and 60km north east of Newcrest Mining's Cadia Valley Operations, in the Hill End Synclinal Zone, NSW.

The Turon Project is prospective for:

- High-grade "Slate Belt" orogenic gold similar to the Hill End Field which has produced ~2Moz Au and where the world's largest gold specimen, the Holtermann Nugget, was found;
- Shear-hosted gold mineralisation.

The Project contains two separate north-trending reef systems, the Quartz Ridge and Turondale Groups, comprising numerous workings and quartz reefs that strike over 1.4km and 2.4km respectively. Rock grab sampling across the Quartz Ridge and Turondale Groups returned several tantalising results up to 1,530g/t Au.

The Company has commenced a review of the historical work completed to generate targets for follow-up testing.

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Mt Clere Rare Earth Project

The Mt Clere Rare Earth Project comprises three tenement applications covering a total area of 1,079km², located approximately 200km northwest of Meekatharra, within the Gascoyne Region of Western Australia. The Project potentially contains multiple mineralisation-styles, including: Rare earth elements (REE) and thorium in enriched monazite sands; REE ion adsorption on clays within the widely preserved deeply weathered lateritic profiles and REE occurring in plausible carbonatites associated with alkaline magmatism.

Monazite [(REE) PO₄], an important ore for thorium, lanthanum, and cerium, represents one of three primary exploration targets within the Project. Importantly, the total REE₂O₃ contents within monazite range from 49.6 to 74.13 wt % and the average value is 64.31 wt %. Previous exploration programs were completed by BHP, Astro Mining NL, and All Star Resources Plc, all of which delineated numerous prospective areas for thorium and REE mineralisation (refer to ASX announcement dated 19 June 2019).

The Company has submitted 9 samples for micro analysis to obtain an indication of the monazite, zircon and ilmenite composition with the heavy mineral fraction.

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. The Company considers 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. 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. A short field program is planned for the June 2020 half year.

Dalgaranga Project

The Dalgaranga Project is located 80km north-west of Mount Magnet in Western Australia and lies within the Dalgaranga Greenstone Belt. The Dalgaranga Greenstone Belt is about 50km long and up to 20km wide and contains gold mineralisation (Dalgaranga gold mine), a zinc deposit (Lasoda), graphite deposits, and occurrences of tantalum, beryllium, tin, tungsten, lithium and molybdenum related to pegmatites. The Company has concluded that the Dalgaranga Project is prospective for base metal mineralisation, as it lies along strike from the Lasoda VMS mineralisation, contains the right rocks (west of the knotted schists exposed in the open pit) and contains an EM conductor in the south of the property that is, in-turn, supported by coincident lead soil geochemistry. A short field program is planned for the June 2020 half year.

Corkill-Lawson Project

The Corkill-Lawson Project is located in the Gowganda area of north-eastern Ontario, covers a 3.2km strike of Nipissing Diabase and is 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. No work was conducted on the Corkill-Lawson Project during the period.

Competent Persons Statement

The information in this report 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.

KRAKATOA RESOURCES LIMITED

DIRECTORS' REPORT

SUBSEQUENT EVENTS

On 5 February 2020, 43,750,000 ordinary shares were issued at a price of \$0.03 per share to raise \$1,312,500 before costs.

No other 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.

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 2019 is set out on page 21.

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: 13 March 2020

KRAKATOA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the Half-Year Ended 31 December 2019

	Note	31 December 2019 \$	Restated 31 December 2018 \$
Revenue		4,352	-
Administration expenses		(49,400)	(17,183)
Compliance and regulatory expenses		(176,430)	(105,457)
Employee benefits and consulting expense		(130,850)	(94,850)
Exploration expenditure, project evaluation and acquisition costs	2	(1,113,454)	(140,871)
Travel and accommodation		(43,123)	(22,125)
Loss before income tax expense		(1,508,905)	(380,486)
Income tax expense		-	-
Loss after income tax expense for the half-year		(1,508,905)	(380,486)
Other comprehensive loss		-	-
Total comprehensive loss for the half year		(1,508,905)	(380,486)
Net loss for the half-year is attributable to:			
Members of the parent entity		(1,508,905)	(380,486)
		(1,508,905)	(380,486)
Total comprehensive loss for the half year is attributable to:			
Members of the parent entity		(1,508,905)	(380,486)
		(1,508,905)	(380,486)
Basic and diluted loss per share (cents per share)		(1.01)	(0.32)

The accompanying notes form part of this financial report

KRAKATOA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	31 December 2019 \$	30 June 2019 \$
CURRENT ASSETS			
Cash and cash equivalents		405,611	407,285
Trade and other receivables		62,818	22,226
Other assets		8,754	-
TOTAL CURRENT ASSETS		<u>477,183</u>	<u>429,511</u>
TOTAL ASSETS		<u>477,183</u>	<u>429,511</u>
CURRENT LIABILITIES			
Trade and other payables		142,748	178,744
TOTAL CURRENT LIABILITIES		<u>142,748</u>	<u>178,744</u>
TOTAL LIABILITIES		<u>142,748</u>	<u>178,744</u>
NET ASSETS		<u>334,435</u>	<u>250,767</u>
EQUITY			
Issued capital	3	10,830,889	9,453,316
Reserves	4	1,759,885	1,544,885
Accumulated losses		(12,256,339)	(10,747,434)
TOTAL EQUITY		<u>334,435</u>	<u>250,767</u>

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 2019

	Issued Capital \$	Option Premium Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2018	9,093,382	1,544,885	(9,074,918)	1,563,349
Loss for the period (restated)	-	-	(380,486)	(380,486)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(380,486)	(380,486)
<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	(9,455,404)	1,182,863
Balance at 1 July 2019	9,453,316	1,544,885	(10,747,434)	250,767
Loss for the period	-	-	(1,508,905)	(1,508,905)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(1,508,905)	(1,508,905)
<i>Transactions with owner directly recorded in equity:</i>				
Shares issued during the period	1,480,000	-	-	1,480,000
Options issued during the period	-	215,000	-	215,000
Less: Transaction costs arising from issue of shares	(102,427)	-	-	(102,427)
Balance at 31 December 2019	10,830,889	1,759,885	(12,256,339)	334,435

The accompanying notes form part of this financial report

KRAKATOA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Half-Year Ended 31 December 2019

	31 December 2019 \$	31 December 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(433,562)	(267,530)
Exploration expenditure and project evaluation costs	(283,780)	(140,871)
Interest received	4,352	-
Net cash used in operating activities	(712,990)	(408,401)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for exploration assets	(319,536)	-
Net cash used in investing activities	(319,536)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	1,155,000	-
Payments for capital raising costs	(124,148)	-
Net cash used in financing activities	1,030,852	-
Net decrease in cash held	(1,674)	(408,401)
Cash and cash equivalents at beginning of period	407,285	685,709
Cash and cash equivalents at end of reporting period	405,611	277,308

The accompanying notes form part of this financial report

KRAKATOA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Half-Year Ended 31 December 2019

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 2019 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 2019 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 \$1,508,905 and had net cash outflows from operating activities of \$712,990 for the half-year ended 31 December 2019. As at that date the Group had net current assets of \$334,435. 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.

Subsequent to period end, the Group successfully raised \$1,312,500 before costs through an equity issue of 43,750,000 ordinary shares at a price of \$0.03 per share.

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 2019

2. EXPLORATION EXPENDITURE, PROJECT EVALUATION AND ACQUISITION COSTS

	31 December 2019 \$	31 December 2018 \$
Exploration expenditure and project evaluation	253,918	140,871
Acquisition costs – Belgravia Project (i)	840,000	-
Acquisition costs – Other	19,536	-
	<u>1,113,454</u>	<u>140,871</u>

- (i) Following approval at the Group's Annual General Meeting on 28 November 2019, the Group issued 10,000,000 ordinary shares (fair value of \$400,000) and paid \$300,000 cash consideration for acquisition of the Belgravia Project on 5 December 2019. On the same date, the Group also issued 10,000,000 listed options exercisable at \$0.05 on or before 31 July 2021 (fair value of \$140,000) to the facilitator of the acquisition. The fair value of ordinary shares and listed options issued were determined by reference to the market price.

3. ISSUED CAPITAL

	31 December 2019 \$	30 June 2019 \$
(a) Issued and paid up capital		
Ordinary shares fully paid	<u>10,830,889</u>	<u>9,453,316</u>
	Number	\$
(b) Movement in ordinary shares on issue		
Balance at 1 July 2019	135,000,000	9,453,316
Share Placement – 27 September 2019	15,000,000	330,000
Share Placement – 23 October 2019	15,000,000	750,000
Belgravia Project – 5 December 2019 (refer to note 2i)	10,000,000	400,000
Transaction costs arising from issue of shares	-	(102,427)
Balance at 31 December 2019	<u>175,000,000</u>	<u>10,830,889</u>

4. RESERVES

(a) Options Reserve	<u>1,759,885</u>	<u>1,544,885</u>
	Number	\$
(b) Movement in options reserve		
Balance at 1 July 2019	22,893,878	1,544,885
Option Expiry (\$0.40, 12 December 2019)	(10,893,878)	-
Option Placement – 28 August 2019	75,000,000	75,000
Belgravia Project – 5 December 2019 (refer to note 2i)	10,000,000	140,000
Balance at 31 December 2019	<u>97,000,000</u>	<u>1,759,885</u>

KRAKATOA RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the Half-Year Ended 31 December 2019

5. DIVIDENDS

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

6. 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 2019, 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.

7. EVENTS SUBSEQUENT TO REPORTING PERIOD

On 5 February 2020, 43,750,000 ordinary shares were issued at a price of \$0.03 per share to raise \$1,312,500 before costs.

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.

8. 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 2019

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 2019 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: 13 March 2020

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 8 9261 9100

F +61 8 9261 9111

www.rsm.com.au

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
KRAKATOA RESOURCES LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Krakatoa Resources Limited which comprises the statement of financial position as at 31 December 2019, 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 2019 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 2019 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*.

RSM

RSM AUSTRALIA PARTNERS

Al Whyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 13 March 2020

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +618 9261 9100

F +618 9261 9111

www.rsm.com.au

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 2019, 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

ALW
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 13 March 2020

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