

21 September 2020

Additional Diamond Drill Hole Underway at Dead Horse Reef, Turon Gold Project

- ***Additional Diamond Drill hole QRD006 underway at Dead Horse Reef following visual encouragement from Drill hole QRD005***
- ***Drill hole QRD005 tested below the outstanding chip result of 1,535g/t gold just south of Dead Horse Reef, with visual inspection noting:***
 - ***Most encouraging drill core seen in the drilling program to date***
 - ***Moderate to strong sheeted quartz veining from 102m to 134m (10 to 30% vein quartz) with pyrite, arsenopyrite, chalcopyrite, tourmaline, carbonates***
 - ***Strong vein quartz flooding 134m to 150m (60% vein quartz) featuring milled breccias with pyrite, arsenopyrite and carbonates***

Krakatoa Resources Limited (ASX: KTA) ("Krakatoa" or the "Company") is pleased to advise that an additional diamond drillhole, QRD006, is underway at Dead Horse Reef following visual encouragement from drill hole QRD005.

Dead Horse Reef Mine lies in the far south of the Quartz Ridge line of historical workings that extend over 1.6km. Past explorers have reported numerous significant gold grades from chip and mullock sampling, including 1,535g/t, 135g/t, 26g/t, 14.6g/t and 12.55g/t (see ASX announcements dated 25 November 2019 and 26 June 2020). QRD005 was developed beneath the previously untested, exceptional chip result of 1,535g/t gold.

QRD005 reached its target depth of 284.3m on Saturday, 19 September 2020. A preliminary visual inspection confirmed:

- Moderate to strong sheeted (laminated) quartz veining from 102m to 134m (10 to 30% vein quartz) with associated pyrite, arsenopyrite, chalcopyrite, tourmaline, and carbonate
- Strong silica-flooding 134m to 150m (60% vein quartz) with structural disruption and milled breccias + pyrite, arsenopyrite, carbonates

Gold mineralisation within the Hill End Trough is mostly associated with bedding parallel veins with lesser cleavage parallel and fault controlled veins. The bedding parallel veins are laminated and consist of quartz with lesser carbonate, muscovite, chlorite, minor pyrite and gold, as well as pyrrhotite, marcasite, chalcopyrite, galena, arsenopyrite and sphalerite. Minor chlorite, carbonate and sericitic alteration adjacent to the veins is widespread throughout the system, however, little to no gold occurs within the alteration around the quartz veins.



ASX Code
KTA, KTAOC

Capital Structure

250,950,000 Fully Paid Shares
82,800,000 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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The apparent similarities between the expected mineralisation-style with that observed in QRD005 at Quartz Ridge, led to developing an additional hole from the same drill pad, but at a steeper angle (-70°). Hole QRD006 (under development) is projected to intersect the target horizon 80m below the same point in QRD005 at ~200m depth.

Though the Board considers the observations made on the QRD005 core as encouraging, they are no substitute for the physical assay data. Raw assay results for QRD005 are anticipated in 5-6 weeks.



Figure 1 - Core from 114.5 m depth featuring chalcopyrite and chlorite in quartz veining

Hole	MGA94z55_E	MGA94z55_N	RL	AZI	DIP	DEPTH
QRD005	737207	6337465	648	90	-50	284.3
QRD006	737207	6337465	648	90	-70	300 (planned)

Table 1: Diamond Drill Details – QRD005 and QRD006



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Figure 2: Diamond Drilling at Dead Horse Reef, QRD005

Authorised for release by the Board.

FOR FURTHER INFORMATION:

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Disclaimer

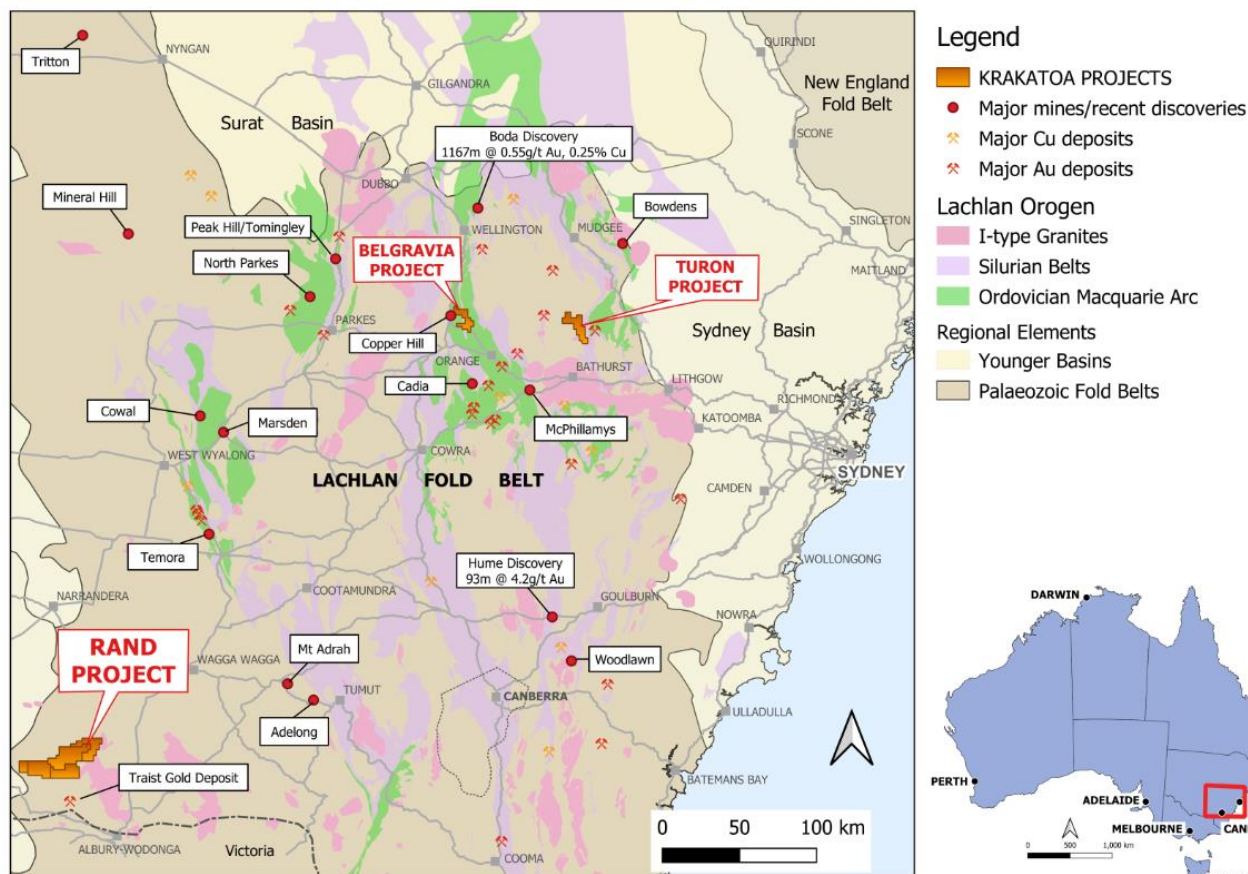
Forward-looking statements are statements that are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to statements regarding 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.

ABOUT KRAKATOA:

Krakatoa is an ASX listed public Company predominately focused on gold exploration in the world class Lachlan Fold Belt, NSW across two projects: Belgravia and Turon.



Belgravia Project (Krakatoa 100%):

The Belgravia Project covers an area of 80km² and is located in the central part of the Molong Volcanic Belt (MVB), East Lachlan province, between Newcrest Mining's Cadia Operations and Alkane Resources Boda Discovery. The Project has six initial target areas considered highly prospective for porphyry Cu-Au and associated skarn Cu-Au, with Bell Valley and Sugarloaf representing the two most advanced target areas. Bell Valley contains a considerable portion of the Copper Hill Intrusive Complex, the interpreted porphyry complex which hosts the Copper Hill deposit (890koz Au & 310kt Cu) and has highly prospective magnetic low features spanning 6km. Sugarloaf contains a 900m Deep Ground Penetrating Radar anomaly located within a distinctive magnetic low feature considered characteristic of a porphyry-style deposit and co-incident with anomalous rock chips including 5.19g/t Au and 1.73% Cu.

Turon Project (Krakatoa 100%):

The Turon Project covers 120km² and is located within the Lachlan Fold Belt's Hill End Trough, a north-trending elongated pull-apart basin containing sedimentary and volcanic rocks of Silurian and Devonian age. The Project contains two separate north-trending reef systems, the Quartz Ridge and Box Ridge, comprising shafts, adits and drifts that strike over 1.6km and 2.4km respectively. Both reef systems have demonstrated high grade gold anomalism (up to 1,535g/t Au in rock chips) and shallow gold targets (up to 10m @ 1.64g/t Au from surface to end of hole) that warrant detailed investigation.

Rand Project (100% - application)

The Rand Project covers an area of 580km², located approximately 60km NNW of Albury in southern NSW. The Project has a SW-trending shear zone that transects the entire tenement package forming a distinct structural corridor some 40 km in length. The historical Bulgandra Goldfield, which is captured by the Project, demonstrates the project area is prospective for shear-hosted and intrusion-hosted gold. Historical production records show substantial gold grades, including up to 265g/t Au from the exposed quartz veins in the Show Day Reef.

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.	- Industry-standard work completed - HQ diamond hole QRD005 will be logged in geological intervals of various widths - The hole was marked up in metre intervals with RQD's will be gathered from each interval and core loss recorded - The hole will be sampled mostly in metre increments, as half core, except when against geological boundaries, where the intervals will be variable and generally < 1m - Magnetic susceptibility will be collected per increment and quality assurance will be achieved through the insertion of certified standards
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).	- HQHC diamond drill core - Core orientation was gathered via Reflex ACT tool - QRD005 collar oriented -50° towards 090° MGA - QRD006 collar oriented -70° towards 090° MGA
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.	- Core was transported to Rangott's Orange offices where it was laid out and cleaned in preparation for markup, geotechnical and geological logging before cutting and sampling - Geological logging is yet to commence
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.	The holes will be logged both geologically and geotechnically to a level satisfactory for ore reserve estimation or related studies

Criteria	JORC Code explanation	Commentary
	- Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. - The total length and percentage of the relevant intersections logged.	
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.	- Standard practices were adopted - The core will be cut and sampled as half core - Certified assay standards will be inserted at various points in the assay stream - Sample sizes, based off 1m intervals, will be appropriate
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.	Samples will be dispatched after the hole is geotechnically and geologically logged
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.	Preliminary exploration drilling, no verification necessary
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.	- Hole collar GPS positioned MGA Z55 -50° and -70° towards 090° MGA - Electronic hole orientation via Reflex ACT - Topo off GPS/Reflex

Criteria	JORC Code explanation	Commentary
Data spacing and distribution	• <i>Data spacing for reporting of Exploration Results.</i> • <i>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.</i> • <i>Whether sample compositing has been applied.</i>	• Reconnaissance level exploration
Orientation of data in relation to geological structure	• <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> • <i>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.</i>	• Holes were developed at a normal to the dip of the geology • The rugged topography restricted pad development to support drilling • The orientation will provide a near-true width measure for all geological intervals
Sample security	• <i>The measures taken to ensure sample security.</i>	• The collection and transport of core, geological markup, logging and sampling of core, and its dispatch was all managed by the Company's consultants, Rangott Mineral Exploration
Audits or reviews	• <i>The results of any audits or reviews of sampling techniques and data.</i>	• No reviews completed

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 Turon Project (EL5882) is held by Krakatoa Australia Pty Ltd, a wholly owned subsidiary of Krakatoa Resources Ltd - The company holds 100% interest and all rights in the Turon Project
Exploration done by other parties	Acknowledgment and appraisal of exploration by other parties.	- All prior work referenced within the body of the report has been released previously (see market releases) - Key announcement dates: 25 November 2019 and 26 June 2020
Geology	Deposit type, geological setting and style of mineralisation.	- Turon is situated in the Hill End Trough, north of the Bathurst Batholith. It straddles the moderate to tightly folded, north-plunging Tripleys Creek Anticline. The various domains are comprised of Devonian and Silurian sediments intercalated with felsic volcanic and volcanoclastic rocks, and minor limestone, which rest on Ordovician rocks. - A number of mineral deposit styles are present in the Hill End Trough. Styles include: orogenic gold (and base metal) vein systems; stratabound base metal sulphide mineralisation associated with Silurian felsic volcanism; lead–zinc and iron skarns of various ages; intrusive related molybdenum and tungsten mineralisation related to Carboniferous fractionated granites; Permian epithermal silver–lead–zinc and skarn-type mineralisation, and auriferous placer deposits.
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	- This document reports on encouraging observations made from diamond drill hole QRD005. - The reader is advised that these results are very preliminary and in no way guarantees a positive outcome regarding the presence of economic gold mineralisation - Collar information for the developed holes (QRD005 and QRD006) is presented within the body of the announcement

Criteria	JORC Code explanation	Commentary
	<i>understanding of the report, the Competent Person should clearly explain why this is the case.</i>	
Data aggregation methods	<i>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.</i> <i>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.</i> <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i>	- Holes will be logged to geological intervals and sampled mostly on metre intervals - No aggregation of the sampling is anticipated for the submitted samples - Samples are yet to be submitted
Relationship between mineralisation widths and intercept lengths	<i>These relationships are particularly important in the reporting of Exploration Results.</i> <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i> <i>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').</i>	Will be confirmed upon receipt of the assay results
Diagrams	<i>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.</i>	- Pertinent maps will be included in future releases. These results are preliminary. - Co-ordinates in MGA94Z55
Balanced reporting	<i>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.</i>	The update presents some preliminary observations made on diamond hole QRD005 developed south of the historical Dead Horse Mine
Other substantive exploration data	<i>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.</i>	The diamond drilling is targeting previously identified gold mineralisation along the length of the Quartz Ridge line of workings
Further work	<i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i>	Further work is results dependent