

7 July 2021

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Sugarloaf Exploration Update

- **Shallow aircore (AC) drill program completed**
- **Extensional soil survey totaling 594 samples completed**
- **All samples currently being analyzed**
- **Follow-up deeper (RC/DD) drilling now being planned**

Krakatoa Resources Limited (ASX:KTA) ("Krakatoa" or the "Company") is pleased to update the market on the completion of recent field programs at the Sugarloaf Porphyry Cu-Au target, Belgravia Project, near Molong in Central NSW. The Sugarloaf prospect is located within the Lachlan Fold Belt's copper-gold province within the same Ordovician volcanic sequence that hosts Copper Hill, Cadia and the Boda discovery (Figure 1). Sugarloaf is located 7 kms southeast of the Copper Hill Porphyry Cu-Au Deposit that contains 890,000 ounces of gold and 310,000 tonnes of copper (GCR ASX announcement 19 January 2021).

In June 2021 a small aircore (AC) program and large soil survey extension were completed. Fieldwork was delayed by significant snow and rain events. The AC program totalled 37 holes for 295.5 metres and the soil survey 594 samples (Figure 2). Drilling tested the distinct magnetic low feature (8 holes) in the center of a larger demagnetized zone, numerous soil and/or rock-chip (Au, Cu and Mo) anomalies, deep ground penetrating radar (DGPR) survey anomalies, structural zones and mapped alteration zones. The regolith profile developed at Sugarloaf is thin; consequently aircore holes were relatively shallow ranging from 1 to 15 metres depth with an average of 8.0 metres. The original 2020 soil survey that covered an area 850 metres east-west by 950 metres north-south over the central magnetic low was expanded significantly, and now covers an area spanning 1.35km east-west by 1.65km north-south (Figure 2).



Photo 1: AC Drilling at the Sugarloaf Prospect, Belgravia Project



ASX Code
KTA, KTAOC

Capital Structure

278,950,000 Fully Paid Shares
82,800,000 Options @ 5c exp 31/07/21
5,000,000 Options @ 7.5c exp 31/07/21
16,200,000 Options @ 7.5c exp 29/11/23
15,000,000 Performance Rights at 20c, 30c and 40c.

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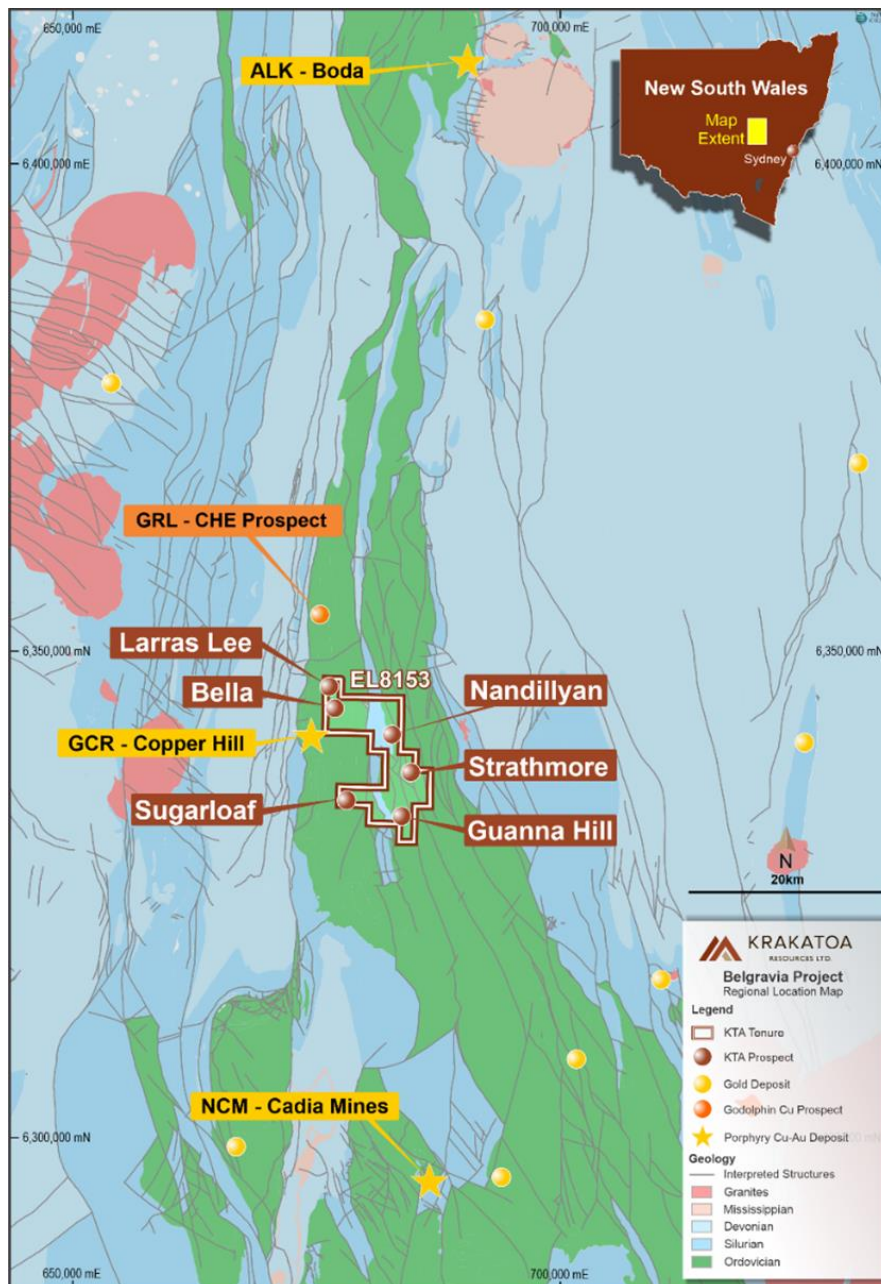


Figure 1 Belgravia Project location map with prospects and major copper-gold deposits on regional bedrock geology.

Krakatoa's CEO, Mark Major commented; *"This maiden reconnaissance aircore drill program has provided useful bedrock information from several interesting zones with encouraging signs. We are working towards drilling a number of deeper holes into the central magnetic body in the coming months."*

Krakatoa has interpreted Sugarloaf as potentially representing a porphyry intrusion underlying the geophysical anomaly's centre with potential skarn mineralisation preferentially developed along the faulted northwest contact. Sugarloaf is also considered prospective for mesothermal vein (gold) deposits on splays to several significant faults and epithermal (gold-silver) and contact-metasomatic (skarn and carbonate-replacement styles) gold-base metals deposits. Due to a high voltage powerline being located close to the prospect centre, standard electrical geophysical methods such as Induced Polarisation (IP) (commonly used in porphyry copper exploration) cannot be utilised.

NEXT STEPS

After receipt and interpretation of the results from the recent aircore drilling and soil programs, coupled with the magnetic modelling and DGPR, the Company will finalise holes to test deeper targets. KTA considers the economic potential for copper-gold mineralisation associated with a porphyry may lie at depth (below 200 metres). However, the Company also believes high-grade copper-gold veins may extend upwards from a porphyry source forming a secondary target at shallower levels, along with any deeper-seated leakage zones.

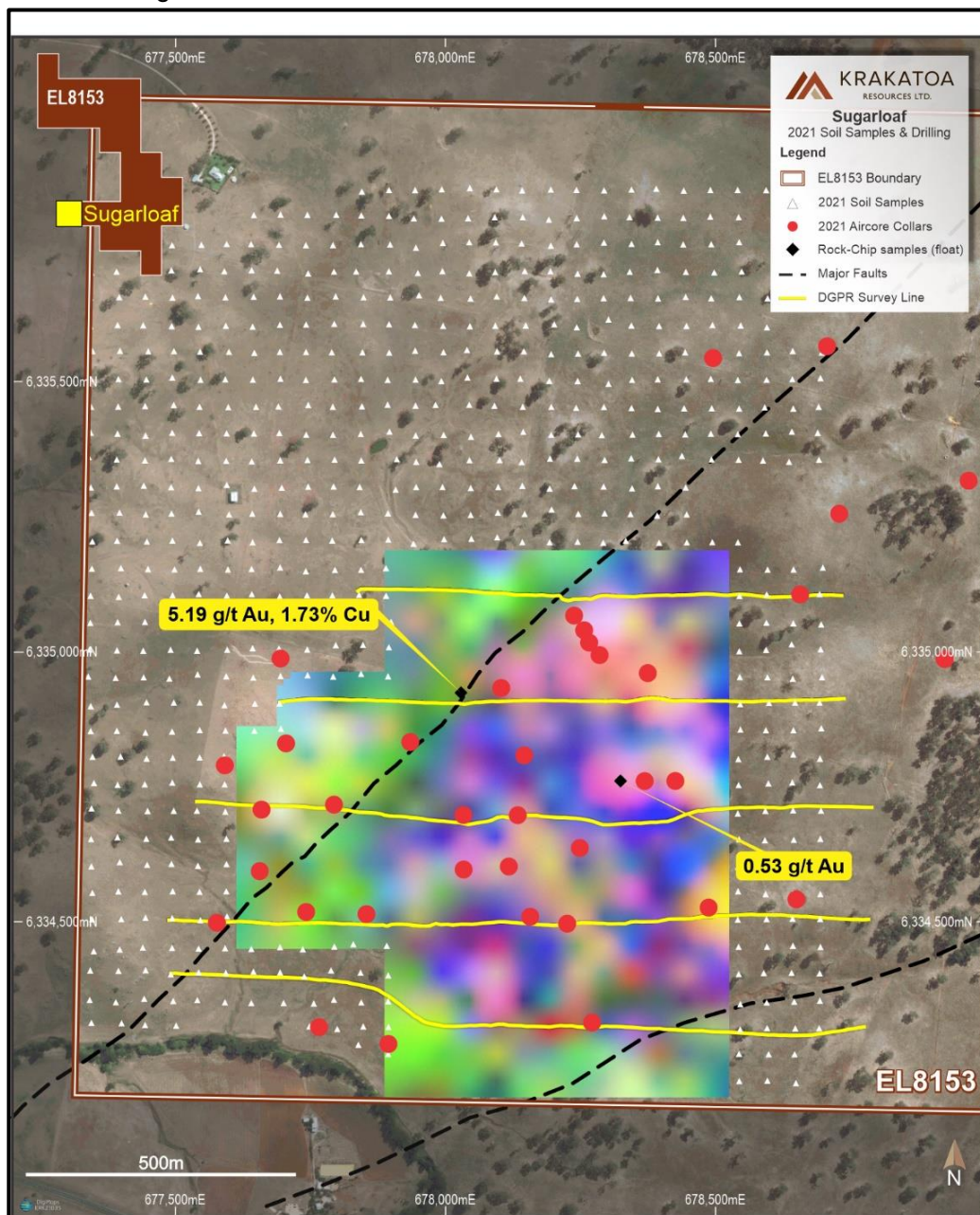


Figure 2 Map showing recent aircore drillholes, soil survey and the 2020 DGPR survey lines. Background coloured image is gridded 2020 soil geochemistry (red = potassium, blue = molybdenum, green = copper). Note distinct ring shape (interpreted possible intrusive at depth) defined by the soil geochemistry.

Authorised for release by the Board.

FOR FURTHER INFORMATION:

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Competent Person's Statement

The information in this announcement is based on, and fairly represents information compiled by Erik Conaghan, Exploration Manager, who is a Member of the Australian Institute of Geoscientists and a full-time employee of Krakatoa Resources. Mr Conaghan 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 Conaghan consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

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.

ABOUT KRAKATOA

Krakatoa is an ASX listed public Company focused on copper-gold exploration in the world class Lachlan Fold Belt, NSW and multielement metals including the increasingly valued rare earths in the highly prospective Narryer Terrane, Yilgarn Craton, WA.



Belgravia Cu-Au Porphyry Project (Krakatoa 100%); Lachlan Fold NSW

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 target areas are 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 Gold Project (Krakatoa 100%); Lachlan fold NSW

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).

Rand Gold Project (100%); Lachlan Fold NSW

The Rand Project covers an area of 580km², centred 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 Bulgandry Goldfield, which is captured by the Project, demonstrates the project area is prospective for shear-hosted and intrusion-related gold. Historical production records show substantial gold grades, including up to 265g/t Au from the exposed quartz veins in the Show Day Reef.

Mt Clere REEs, HMS & Ni-Cu-Co, PGEs Project (100%); Gascoyne WA

The Mt Clere REE Project located at the north western margins of the Yilgarn Craton. The company holds 2,310km² of highly prospective exploration licences prospective for rare earth elements, heavy mineral sands hosted zircon-ilmenite-rutile-leucoxene; and gold and intrusion hosted Ni-Cu-Co-PGEs. Historical exploration has identified the potential presence of three REE deposits types, namely, ion adsorption clays in extensive laterite areas; monazite sands in vast alluvial terraces; and carbonatite dyke swarms.

The information in this section that relates to exploration results was first released by the Company on 19 June 2019, 25 November 2019, 3 December 2019, 14 April 2020, 20 May 2020, 26 June 2020 and 6 July 2020. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements.