

9 October 2019



Field due diligence confirms prospectivity of Belgravia Project

Board:

Colin Locke (Exec. Chairman)

David Palumbo (Non-Exec. Director)

Timothy Hogan (Non-Exec. Director)

Capital Structure:

150,000,000 Fully Paid Shares

75,000,000 Options @ 5c exp 31/07/21

12,000,000 Options @ 10c exp 24/10/20

10,893,878 Options @ 40c exp 12/12/19

ASX Codes:

KTA, KTAOC

Projects

Belgravia (Au-Cu)

Mt Clere (REE)

Dalgaranga (Ta-Li-Rb)

Mac Well (Be, Au)

Corkill-Lawson (Co-Ag)

- **Site-based due diligence confirms the highly prospective geology within the project**
- **Belgravia lies in a very fertile metallogenic province, where copper-gold porphyry deposits typically occur in clusters, providing considerable potential for more discoveries**
- **Intense proximal albitisation and silica-saturation observed, similar to zonation 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 a 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**

Krakatoa Resources Limited ("Krakatoa" or the "Company") (ASX: KTA) is pleased to announce findings from its recent field due diligence, which confirms the prospective nature of the Belgravia Project and the 6 initial targets.

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Regional geology and mineralisation

The Molong Volcanic Belt (MVB) represents one of four outcropping volcano-intrusive belts of Ordovician volcanics within the Macquarie Arc. Each belt is dominated by Ordovician to Early Silurian volcanics, subvolcanic intrusives and minor volcanoclastic rocks separated by Early to Late Silurian sag-rift basins comprising quartz-sediments, granites and felsic volcanics.

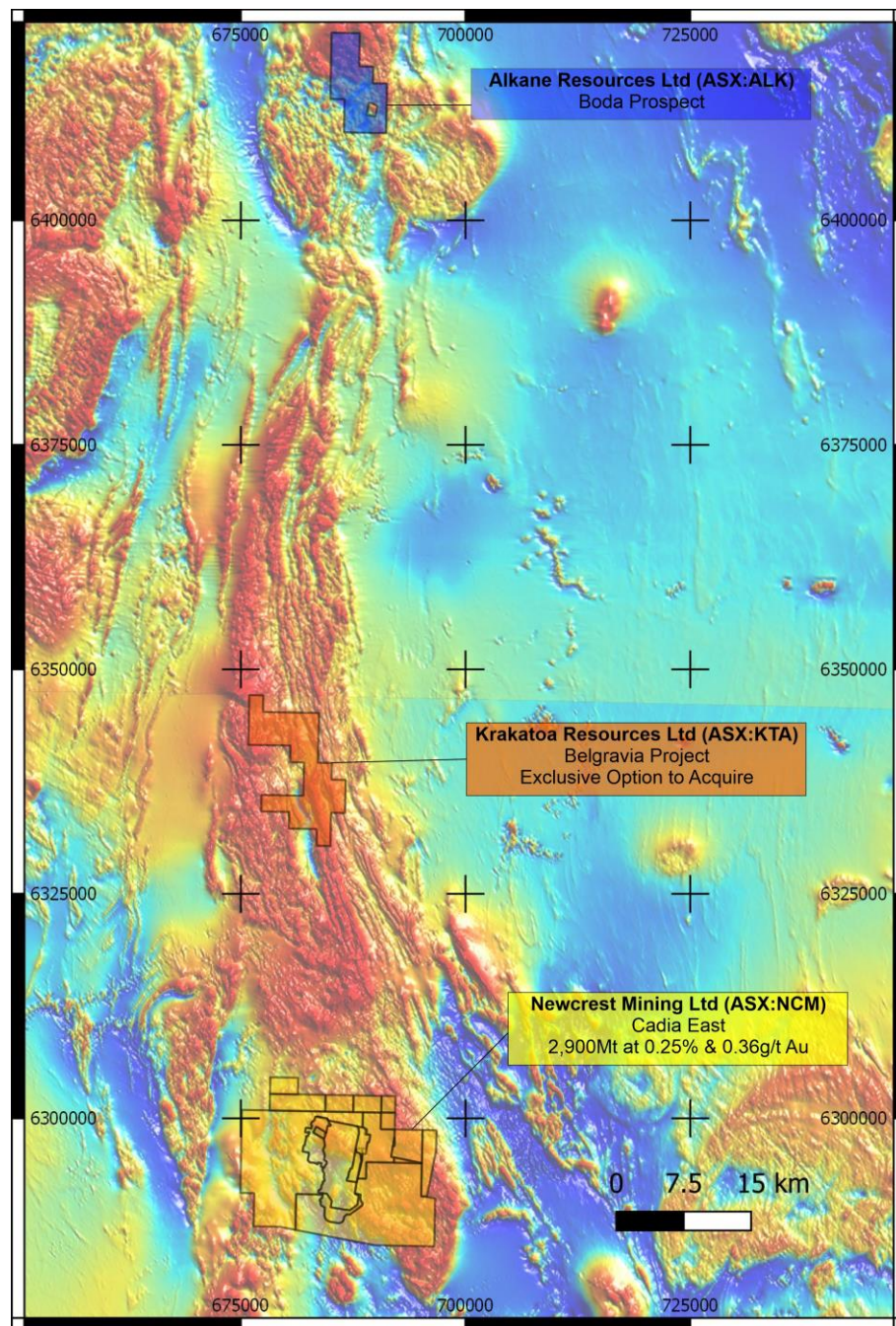


Figure 1: Regional TMI RTP Map of Molong Volcanic Belt

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The Macquarie Arc developed above a west-dipping subduction zone and represents a world-class porphyry copper-gold province. Within the Arc, major Late Ordovician volcanic centres are concentrated along two main WNW-trending structural zones in the belts, known as the Lachlan transverse zone (LTZ) and the Hunter River transverse zone (HRTZ).

The MVB, which includes Belgravia, is considered highly prospective for alkalic and calc-alkalic porphyry gold-copper mineralisation.

Significantly, copper-gold porphyry deposits typically cluster and Belgravia lies in a very fertile metallogenic province, bounded by the Macquarie Arc and LTZ. There remains considerable potential for more discoveries.

Project Geology

The Belgravia Project contains the eastern half of the Copper Hill Igneous Complex (CHIC), which hosts the Copper Hill copper-gold deposit with global resources of 87Mt @ 0.32g/t Au and 0.36% Cu comprising indicated resources of 47mt @ 0.39g/t Au and 0.4% Cu and inferred resources of 39mt @ 0.24g/t Au and 0.32% Cu¹.

Importantly the Copper Hill deposit contains higher-grade resources totalling 28Mt at 0.56% Cu and 0.53 g/t Au concentrated in the upper portions of the mineralised system and open at depth¹. Consequently, the bulk of this resource is potentially extractable by open-pit mining and has a strong potential for further resource growth through exploration.

During the Company's field due diligence, large-scale and pervasive alteration was identified across most targets including Guanna Hill, Shades Creek, Nandillyan, Strathmore and especially Bell Valley, which lies over the eastern half of the CHIC. The widespread chlorite-epidote ± carbonate alteration is consistent with intersecting the outer propylitic zone of a porphyry copper-gold system.

Furthermore, the Company identified intense proximal albitisation and silica-saturation in the projects north, near the Shades Creek target. The observed alteration is characteristic of mineral zonation typically associated with the emplacement of porphyry intrusions.

Mr. Ian Cooper, experienced porphyry geologist and mining engineer commented:

“Having been responsible for lithological, structural, alteration and mineralisation interpretation of deposits for target generation across much of NSW and in particular the Lachlan Fold Belt, the discovery of intense albitisation and silica-saturation is highly prospective.

I have only seen this alteration intensity once before and this was at the Cadia East Mine”.

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Encouragingly, “doughnut” magnetic patterns considered characteristic of porphyry intrusion are present in the project area.

The Bella prospect within the Bell Valley represents such a pattern. Bella, which has a diameter of approximately 500m, was outlined after reviewing and reprocessing the regional airborne geophysical data. The Bella Prospect sits near the edge of the CHIC, in a juxtaposition to the Copper Hills Deposit. Much of the widespread chlorite-epidote ± carbonate alteration lies within 1 or 2 km of the interpreted magnetic pattern.

Bella coincides with an interpreted WNW-trending structure thought to control the emplacement of the porphyry bodies. Similar oriented structures are seen as controlling emplacement of the porphyry-related mineralised systems at Cadia and Copper Hill.

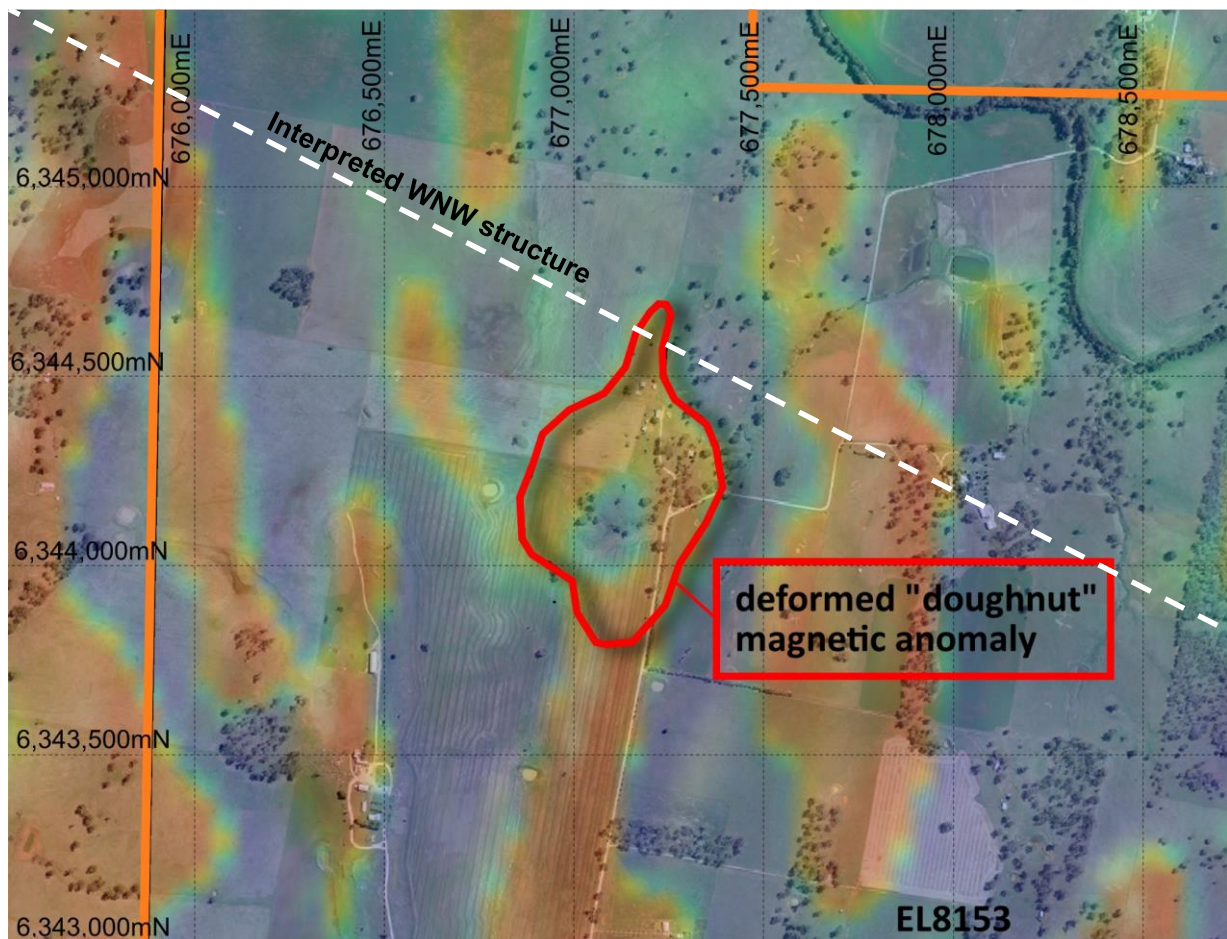


Figure 2: The Bella prospect, a deformed “doughnut” magnetic anomaly

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Location

The Project is located on the western margin of the Central Tablelands Region of NSW, 230km WNW of Sydney. The Project lies approximately 7km east from the town of Molong and around 20km NE of the major regional centre of Orange, providing excellent road, rail, power, gas and water infrastructure.

The recently upgraded Mitchell Highway provides direct access to the Belgravia Project from the regional centre of Orange and township of Molong.



**Figure 3: Recent upgrade and realignment of Mitchell Highway near Guanna Hill
(Source: NSW government – Roads and Maritime Services)**

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 6 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.

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FOR FURTHER INFORMATION:

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+61 457 289 582

REFERENCES:

¹ Golden Cross Resources (ASX: GCR) announcement dated 24 March 2015" updated JORC 2012 compliant Resource Estimate"

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.

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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.

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