
KRAKATOA RESOURCES LIMITED

ABN 39 155 231 575

NOTICE OF GENERAL MEETING

TIME: 10:00am WST

DATE: Friday, 7 March 2014

PLACE: "Mining Corporate Boardroom"
Level 11, 216 St Georges Terrace
PERTH WA 6000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (08) 9481 0389.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders of Krakatoa Resources Limited which this Notice of General Meeting relates to will be held at 10:00am WST on Friday, 7 March 2014 at "Mining Corporate Boardroom", Level 11, 216 St Georges Terrace, Perth 6000, Western Australia.

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00pm (WST) on Wednesday, 5 March 2014.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware of that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all 'directed' proxies as directed; and

- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

NOTICE OF GENERAL MEETING

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 5:00pm WST on Wednesday, 5 March 2014.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

1. RESOLUTION 1 – APPROVAL FOR THE ISSUE OF SHARES TO PT. SITASA RESOURCES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, in accordance with Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue 5,000,000 Shares to PT. Sitasa Resources on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion:

The Company will disregard any votes cast on Resolution 1 by PT. Sitasa Resources (and any of its associates) and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – ISSUE OF SHARES TO MR ARYO BIMO

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolution 1, for the purpose of Listing Rule 10.11 and Section 208 of the Corporations Act and for all other purposes, Shareholders approve the issue of 1,000,000 Shares to Mr Aryo Bimo in accordance with the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion:

The Company will disregard any votes cast on Resolution 2 by Mr Aryo Bimo (and any of his associates) and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) The appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

DATED: 5 FEBRUARY 2014

BY ORDER OF THE BOARD

**DAVID PALUMBO
COMPANY SECRETARY
KRAKATOA RESOURCES LIMITED**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the resolutions in the Notice of Meeting.

1. RESOLUTION 1 – APPROVAL FOR THE ISSUE OF SHARES TO PT. SITASA RESOURCES

1.1 Background

Resolution 1 seeks Shareholder approval for the issue of 5,000,000 Shares (**Vendor Shares**) to PT. Sitasa Resources (**Sitasa**) as part consideration for the acquisition of a 99.8 % interest in the issued shares of PT. Bina Citra Sawita, as announced to ASX on 10 December 2013.

PT. Bina Citra Sawita holds a 100% interest in Izin Usaha Pertambangan Eksplorasi No.540/23/IUP/DESDM/Bup-2010, dated 7 July 2010, issued by the Regent of South Solok (**BCS Tenement**). The BCS Tenement covers an area of 500 hectares and is located in Nagari Alam Pauh Duo, Pauh Duo sub-district, South Solok, West Sumatra province.

Krakatoa has conducted initial due diligence on the BCS Tenement with several site visits and a comprehensive interpretation of the licence area and believes it to be a highly attractive for iron ore exploration.

Further to the acquisition, the strategic alliance with Sitasa Group brings to Krakatoa a highly experienced mining, production, and marketing team backed up by a vast and well established network of Indonesian political, business and community alliances. Krakatoa has exclusive first right of refusal to Sitasa Group's pipeline of iron ore exploration projects for the next 2 years which will provide a platform for further potential acquisitions or similar deals.

1.2 Listing Rule 7.1

Listing Rule 7.1 requires Shareholder approval for the issue of the Vendors Shares to Sitasa. Listing Rule 7.1 provides that, subject to certain exceptions, Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

The effect of Resolution 1 will be to allow the Directors to issue the Vendor Shares pursuant to Resolution 1 without using the Company's 15% annual capacity.

1.3 Specific information required by Listing Rule 7.3

For the purposes of Shareholder approval of the issue of Vendor Shares to PT. Sitasa Resources and the requirements of Listing Rule 7.3, information is provided as follows:

- (a) the maximum number of Vendor Shares to be issued is 5,000,000;
- (b) the Vendor Shares will be allotted and issued no later than 3 months after the date of this Meeting (or such later date as approved by ASX);
- (c) the Vendor Shares will be issued for nil cash consideration as they are being issued as part consideration for a 99.8 % interest in PT. Bina Citra Sawita, which holds the BCS Tenement;

- (d) the Vendor Shares will be issued to Sitasa, who is not a Related Party of the Company;
- (e) the Vendor Shares will be fully paid ordinary shares in the capital of the Company that will rank pari-passu with the Company's current issued Shares;
- (f) no funds will be raised from the issue of the Vendor Shares as they are proposed to be issued as part consideration for a 99.8 % interest in PT. Bina Citra Sawita, which holds the BCS Tenement; and
- (g) a voting exclusion statement is included in the Notice.

2. RESOLUTION 2 – ISSUE OF SHARES TO MR ARYO BIMO

2.1 Background

Resolution 2 seeks Shareholder approval for the issue of 1,000,000 Shares (**Director Shares**) to Mr Aryo Bimo, who was appointed as an Executive Director of the Company on 18 December 2013 as part of the proposed transaction.

The grant of the Director shares pursuant to Resolution 2 is subject to Resolution 1 in this Notice being passed.

Mr Bimo has extensive experience in the Indonesian resources sector. He is currently Director of Operations at PT. Sitasa Resources and its operating mines, Pt Sitasa Energi and PT. Tambang Sunai Sanur. Mr Bimo has led the development of Sitasa Group, one of Indonesia's most successful Iron Ore Mining Companies, from its roots as an exploration Company in 2008 to a significant producer at two separate mines in less than 5 years.

Mr Bimo adds strength to the Board through his significant experience and track record of success in the Indonesian iron ore sector.

2.2 General

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

Mr Aryo Bimo is a related party of the Company as defined under the Corporations Act by virtue of being a Director of the Company. The proposed issue of the Director Shares to Aryo Bimo will constitute the provision of a financial benefit to a related party of the Company.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue of the Director Shares to the Aryo Bimo.

2.3 Chapter 2E of the Corporations Act

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in respect of the proposed issue of the Director Shares:

- (a) the related party to whom a financial benefit will be given is Aryo Bimo who is a related party by virtue of being a Director;
- (b) the maximum number of Securities to be issued to Aryo Bimo is 1,000,000 Shares;
- (c) the Director Shares the subject of this Resolution 2 will be allotted and issued no later than one month after the date of the Meeting;
- (d) the Director Shares will be granted for no cash consideration;
- (e) the Director Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the value of the Director Shares is determinant upon the trading price of the Company's Shares at any one point in time. The highest, lowest and last trading prices of Shares on ASX during the last 12 months are set out below:

	Date	Price
High	13 January 2014	\$0.235
Low	24 September 2013	\$0.05
Last	28 January 2014	\$0.19

The closing price recorded on ASX on 28 January 2014 was \$0.19. Accordingly, the deemed value of the Director Shares to be issued to Aryo Bimo (or his respective nominees) would be \$190,000;

- (g) Mr Aryo Bimo's remuneration under his executive services agreement is \$90,000 per annum exclusive of superannuation. The remuneration and emoluments from the Company to Aryo Bimo for the previous financial year and emoluments for the current financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
Aryo Bimo	\$7,500 ¹	Nil

¹ Director remuneration paid to Mr Aryo Bimo since appointment on 18 December 2013

- (h) Mr Aryo Bimo currently has no relevant interests in any Shares or Options of the Company;

- (i) the issue of the Director Shares will increase the number of Shares on issue from 34,000,003 to 35,000,003 (assuming Resolution 1 is passed and that no Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by 2.94%;
- (j) the Board acknowledges the grant of the Director Shares to Mr Bimo is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) as published by The ASX Corporate Governance Council. However, the Board considers the grant of Director Shares to Aryo Bimo reasonable in the circumstances for the reason set out in subparagraph 2.3(m)
- (k) the primary purpose of the issue of the Director Shares to Aryo Bimo is to preserve cash reserves while providing an incentive for future performance in his role as Director;
- (l) Mr Aryo Bimo declines to make a recommendation to Shareholders in relation to Resolution 2 due to his material personal interest in the outcome of the Resolution.
- (m) Kevin Kwok, Roger Pooley and Brian Varndell all recommend that Shareholders vote in favour of Resolution 2 for the following reasons:
 - (i) the grant of the Director Shares to Aryo Bimo will align the interests of Aryo Bimo with those of Shareholders;
 - (ii) the grant of the Director Shares is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to Aryo Bimo; and
 - (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Director Shares upon the terms proposed;
- (n) in forming their recommendations, each Director considered the experience of Mr Bimo, the current market price of Shares and the current market practices when determining the number of Director Shares to be granted; and
- (o) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 2.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Shares to Mr Bimo as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Director Shares to Mr Bimo will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

\$ means Australian dollars.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 724 791).

ASX Listing Rules or **Listing Rules** means the official Listing Rules of ASX.

Board means the Board of Directors of the Company.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001 (Cth)*.

Company or means Krakatoa Resources Limited (ABN 39 155 231 575).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Directors mean the current directors of the Company.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement to this Notice.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Meeting means the meeting convened by the Notice.

Notice means the notice of meeting accompanying this Explanatory Statement.

Option means an option to acquire a Share.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

WST means Western Standard Time.

PROXY FORM

APPOINTMENT OF PROXY
KRAKATOA RESOURCES LIMITED
ABN 39 155 231 575

GENERAL MEETING

I/We
of

being a member of Krakatoa Resources Limited entitled to attend and vote at the General Meeting, hereby appoint

Name of
Proxy:

OR the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the General Meeting to be held at the "Mining Corporate Boardroom", Level 11, 216 St Georges Terrace, Perth, Western Australia at 10.00am WST on Friday, 7 March 2014, and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on Business of the General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 Approval for the issue of Shares to PT. Sitasa Resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Issue of Shares to Mr Aryo Bimo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%

Important for Resolution 2

If you have not directed your proxy how to vote as your proxy in respect of Resolution 2 and the Chair is, or may by default be, appointed your proxy, you must mark the box below.

I/we direct the Chair to vote in accordance with his/her voting intentions (as set out above) on Resolution 2 (except where I/we have indicated a different voting intention above) and expressly authorise that the Chair may exercise my/our proxy even though Resolution 2 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

If the Chair is, or may by default be, appointed your proxy and you do not mark this box and you have not directed the Chair how to vote, the Chair will not cast your votes on Resolution 1 and your votes will not be counted in calculating the required majority if a poll is called on Resolution .

Signature of Member(s): _____ Date: _____

Individual or Member 1

Sole Director/Company Secretary

Member 2

Director

Member 3

Director/Company Secretary

Contact Name: _____ Contact Ph (daytime): _____

E-mail Address: _____ Consent for contact by e-mail YES NO

For personal use only

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
- **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
- (a) post to Krakatoa Resources Limited, GPO Box 2517, Perth, Western Australia 6831; or
 - (b) facsimile to the Company on facsimile number +61 8 9463 6103;
- so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.