



KRAKATOA

Resources Limited

ABN 39 155 231 575

Notice of Annual General Meeting

The Annual General Meeting of Krakatoa Resources Limited will be held at Level 11, 216 St Georges Terrace, Perth WA 6000 on 25 November 2016 at 10:00am (WST).

This notice of annual general meeting should be read in its entirety. If Shareholders are in any doubt as to how they should vote, they should seek advice from their professional advisor prior to voting.

Please contact the Company Secretary on 08 9481 0389 if you wish to discuss any matter concerning the Meeting.

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Krakatoa Resources Limited
ABN 39 155 231 575

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of Krakatoa Resources Limited will be held at Level 11, 216 St Georges Terrace, Perth WA 6000 on Friday, 25 November 2016 at 10:00am (WST) (**Meeting**).

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and Proxy Form form part of this Notice of Meeting.

Shareholders are urged to vote by attending the Meeting in person or by returning a completed Proxy Form. Instructions on how to complete a Proxy Form are set out in the Explanatory Memorandum.

Proxy Forms must be received by no later than 10:00am (WST) on Wednesday, 23 November 2016.

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Schedule 1 of the Explanatory Memorandum.

Agenda

REPORTS AND ACCOUNTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2016, together with the declaration of the directors, the Directors' report, the Remuneration Report and the auditor's report.

RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding** resolution:

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2016.”

A voting exclusion statement is set out below.

Note: The vote on this resolution is advisory only and does not bind the Directors of the Company

RESOLUTION 2 - RE-ELECTION OF DIRECTOR - TIMOTHY HOGAN

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That, Mr Timothy Hogan, being a Director, retires by rotation in accordance with clause 11.3 of the Constitution and, being eligible, is hereby re-elected as a Director.”

RESOLUTION 3 - RATIFICATION OF PRIOR ISSUE OF SHARES

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue 500,000 Shares on the terms set out in the Explanatory Memorandum.”

A voting exclusion statement is set out below.

RESOLUTION 4 - RATIFICATION OF PRIOR ISSUE OF OPTIONS

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That for the purposes of listing rule 7.4 and for all other purposes, shareholders ratify the issue of 1,000,000 Listed Options on the terms set out in the explanatory memorandum.”

A voting exclusion statement is set out below.

RESOLUTION 5 - RATIFICATION OF PRIOR ISSUE OF OPTIONS

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That that for the purposes of listing rule 7.4 and for all other purposes, shareholders ratify the issue of 483,333 Listed Options on the terms set out in the explanatory memorandum.”

A voting exclusion statement is set out below.

RESOLUTION 6 - RATIFICATION OF PRIOR ISSUE OF SHARES

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue 175,000 Shares on the terms set out in the Explanatory Memorandum.”

A voting exclusion statement is set out below.

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RESOLUTION 7 - RATIFICATION OF PRIOR ISSUE OF SHARES AND OPTIONS TO THE VENDOR OF THE DALGARANGA PROJECT

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue 1,000,000 Shares and 1,000,000 Listed Options on the terms set out in the Explanatory Memorandum.”

A voting exclusion statement is set out below.

RESOLUTION 8 - RATIFICATION OF PRIOR ISSUE OF PLACEMENT SHARES

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue 9,214,858 Shares on the terms set out in the Explanatory Memorandum.”

A voting exclusion statement is set out below.

RESOLUTION 9 - APPROVAL FOR ISSUE OF OPTIONS

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That for the purposes of Listing Rule 7.1 and for all other purposes, Shareholder approval is given for the Company to issue 9,214,858 Listed Options on the terms set out in the Explanatory Memorandum.”

A voting exclusion statement is set out below.

RESOLUTION 10 - APPROVAL FOR ISSUE OF UNLISTED OPTIONS TO CORPORATE ADVISORS

To consider, and if thought fit, to pass the following as an **ordinary** resolution:

“That for the purposes of Listing Rule 7.1 and for all other purposes, Shareholder approval is given for the Company to issue up to 8,000,000 Unlisted Options securities on the terms set out in the Explanatory Memorandum.”

A voting exclusion statement is set out below.

RESOLUTION 11 - APPROVAL OF 10% PLACEMENT CAPACITY

To consider, and if thought fit, to pass the following as a **special** resolution:

“That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A2 and on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement is set out below.

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VOTING EXCLUSION STATEMENTS**Listing Rule 14.11**

Under Listing Rule 14.11, the Company will disregard any votes cast on the following Resolutions by the following persons and their associates:

Resolution	Persons excluded from voting
Resolution 1 - Adoption of Remuneration Report	<p>A member of the key management personnel, details of whose remuneration are included in the Remuneration Report; or a closely related party of such member.</p> <p>However, a person described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:</p> <ul style="list-style-type: none">(a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or(b) the voter is the chair of the Meeting and the appointment of the chair as proxy:<ul style="list-style-type: none">(i) does not specify the way the proxy is to vote on this Resolution; and(ii) expressly authorises the chair to exercise the proxy even if this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.
Resolution 3 - Ratification of Prior Securities Issue	Persons who participated in the issue.
Resolution 4 - Ratification of Prior Securities Issue	Persons who participated in the issue.
Resolution 5 - Ratification of Prior Securities Issue	Persons who participated in the issue.
Resolution 6 - Ratification of Prior Securities Issue	Persons who participated in the issue.
Resolution 7 - Ratification of Prior Securities Issue	Peter Gianni or his nominees.

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Resolution 8 - Ratification of Prior Securities Issue Persons who participated in the issue.

Resolution 9 - Issue of Securities Persons who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed.

Resolution 10 - Issue of Securities Persons who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed.

Resolution 11 - Approval of 10% Placement Capacity Persons who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed.

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 direction 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.

By order of the Board of Directors

David Palumbo
Company Secretary
Krakatoa Resources Limited
20 October 2016

Krakatoa Resources Limited
ABN 39 155 231 575

Explanatory Memorandum

1 INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Level 11, 216 St Georges Terrace, Perth, WA 6000 on Friday, 25 November 2016 at 10:00am (WST). The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding how to vote on the Resolutions set out in the Notice.

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice, and includes the following:

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A Proxy Form is located at the end of this Explanatory Memorandum.

Please contact the Company Secretary on 08 9481 0389 or by email to david@miningcorporate.com.au if you wish to discuss any matter concerning the Meeting.

2 ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.4 Eligibility to vote

For the purposes of regulations 7.11.37 and 7.11.38 of the Corporations Act Regulations, the Directors have determined that, for the purposes of voting at the Meeting, Shareholders are those persons who are the registered holders of Shares at 4:00pm (WST) on Wednesday, 23 November, 2016.

3 FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2016 together with the declaration of the directors, the Directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's 2016 Annual Report to Shareholders unless specifically requested to do so. The Company's 2016 Annual Report is available on its website at www.krakatoaresources.com.

4 RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT (NON-BINDING RESOLUTION)

4.1 General

The Remuneration Report is part of the directors' report contained in the annual financial report of the company for a financial year.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its Directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out remuneration details for each Director and each of the Company's executives and group executives named in the Remuneration Report for the financial year ended 30 June 2016.

Section 250R(2) of the Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

The chair of the meeting will allow a reasonable opportunity for the Company's shareholders to ask questions about or make comments on the Remuneration Report at the annual general meeting.

4.2 Voting Consequences

The Corporations Act provides that if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings,

Shareholders will be required to vote at the second of those annual general meetings on a resolution that a further meeting is held at which all of the Company's Directors who were directors when the resolution to make the directors report considered at the later annual general meeting was passed (other than the Managing Director) must go up for re-election (**Spill Resolution**). If more than 50% of votes cast are in favour of the Spill Resolution, the Company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were directors of the Company when the resolution to make the directors' report considered at the second annual general meeting was passed, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the Company is approved will be the directors of the company.

4.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

4.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

If you appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member as your proxy you must direct your proxy how to vote on this Resolution. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

If you appoint the Chair as your proxy (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member) you **do not** need to direct your proxy how to vote on this Resolution. However, if you do not direct the Chair how to vote, you **must** mark the acknowledgement on the Proxy Form to expressly authorise the Chair to exercise his/her discretion in exercising your proxy even though this Resolution is connected directly or indirectly with the remuneration of Key Management Personnel.

If you appoint any other person as your proxy you **do not** need to direct your proxy how to vote on this Resolution, and you **do not** need to mark any further acknowledgement on the Proxy Form.

5 **RESOLUTION 2 - RE-ELECTION OF DIRECTOR - TIMOTHY HOGAN**

ASX Listing Rule 14.4 provides that a Director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 year, whichever is the longer.

Clause 11.3 of the Constitution provides that:

- (a) at the Company's annual general meeting in every year, one-third of the Directors for the time being, or if their number is not 3 or a multiple of 3, then the number nearest one-third, and any other Director not in such one-third who has held office for 3 years or more (except the Managing Director) must retire from office; and

Clause 11.4 of the Constitution provides that:

- (a) a Director who retires by rotation under clause 11.3 of the Constitution is eligible for re-election.

The Company currently has two Directors subject to rotation and accordingly one must retire.

Pursuant to Resolution 2, Timothy Hogan is retiring by rotation under Clause 11.3 of the Constitution and being eligible for re-election, offers himself for re-election at the Meeting.

Qualifications and other material directorships

Mr. Hogan has approximately 25 years' experience in the stockbroking industry in Australia, initially as a founding private client advisor at Hogan and Partners. Mr. Hogan has provided corporate and execution services for a wide variety of corporate and private clients.

Mr. Hogan is currently a Director of Barclay Wells Limited, a boutique advisory firm that specialises in Australian resource stocks, and has assisted many companies from their initial capital raising and flotation on the ASX through to production. Mr. Hogan brings extensive experience and a wide range of contacts that will benefit the Company.

Mr Hogan is not a director of any other ASX listed companies.

The Directors, other than Mr Hogan, recommend the re-election of Mr Hogan.

6 RESOLUTION 3 - RATIFICATION OF PRIOR ISSUE OF SHARES

6.1 Introduction

On 3 May 2016, the Company issued 500,000 Shares at \$0.20 per share under Listing Rule 7.1A to a sophisticated investor to raise \$100,000.

6.2 Regulatory requirements

Listing Rule 7.1 provides that, unless an exemption applies, a company must not, without the prior approval of shareholders, issue or agree to issue Equity Securities if the Equity Securities will in themselves or when aggregated with ordinary securities issued by the company during the previous 12 months, exceed 15% if the number of ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 states that an issue of securities made without approval under Listing rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and the company's shareholders subsequently approve it. Issues made under Listing Rule 7.1A can also be ratified under Listing Rule 7.4.

The effect of Shareholders passing Resolution 3 and ratifying the issue will be to restore the Company's ability to issue further capital to the maximum 15% limit during the next 12 months and increase the base figure (i.e. variable 'A') in which the Company's 15% and 10% annual placement capacities are calculated, which in turn will allow a proportionately higher number of securities to be issued without Shareholder approval.

6.3 Information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5, the following information is provided about the issue:

- (a) The number of securities issued by the Company was 500,000 Shares.
- (b) The price at which the securities were issued was \$0.20 per Share.
- (c) The Shares are fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and rank equally with the existing Shares on issue.
- (d) The securities were issued to a sophisticated investor.
- (e) The use of the funds raised was applied towards the costs of the issue, exploration activities on the Dalgara Project, payments to administrative creditors and for general working capital purposes.
- (f) A voting exclusion statement is included in the Notice.

6.4 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 3. By ratifying the issue of Shares under Resolution 3, the base figure (i.e variable 'a') in which the Company's 15% and 10% annual placement capacities are calculated will be a higher number, which in turn will allow a proportionately higher number of securities to be issued without Shareholder approval.

7 RESOLUTION 4 - RATIFICATION OF PRIOR ISSUE OF OPTIONS

7.1 Introduction

On 18 May 2016, the Company issued 1,000,000 Listed Options at \$0.005 per option under Listing Rule 7.1 to a sophisticated investor to raise \$5,000. These securities were issued to an unrelated party of the Company and within the Company's 15% annual limit permitted by Listing Rule 7.1; and therefore without the need for Shareholder approval.

7.2 Regulatory requirements

The regulatory requirements of Listing Rule 7.1 are set out in section 6.2 above.

The effect of Shareholders passing Resolution 4 and ratifying the issue will be to restore the Company's ability to issue further capital to the maximum 15% limit during the next 12 months.

7.3 Information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5, the following information is provided about the issue:

- (a) The number of securities issued by the Company was 1,000,000 Listed Options exercisable at \$0.20 on or before 31 March 2017.
- (b) The securities were issued at \$0.005 per option.
- (c) The terms of the Listed Options are set out in **Schedule 2**.
- (d) The securities were issued to a sophisticated investor.
- (e) The funds raised were used for working capital.
- (f) A voting exclusion statement is included in the Notice.

7.4 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 4. This will restore the 15% annual limit permitted by Listing Rule 7.1 and allow the Company to issue further securities without Shareholder approval.

8 RESOLUTION 5 - RATIFICATION OF PRIOR ISSUE OF OPTIONS

8.1 Introduction

On 18 May 2016, the Company issued 483,333 options to brokers pursuant to listing rule 7.1. These securities were issued to unrelated parties of the Company and within the Company's 15% annual limit permitted by Listing Rule 7.1; and therefore without the need for Shareholder approval.

8.2 Regulatory requirements

The regulatory requirements of Listing Rule 7.1 are set out in section 6.2 above.

The effect of Shareholders passing Resolution 5 and ratifying the issue will be to restore the Company's ability to issue further capital to the maximum 15% limit during the next 12 months.

8.3 Information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5, the following information is provided about the issue:

- (a) The number of securities issued by the Company was 483,333 Listed Options exercisable at \$0.20 on or before 31 March 2017.
- (b) The securities were issued for brokerage services and for nil cash consideration.
- (c) The terms of the Listed Options are set out in **Schedule 2**.
- (d) The securities were issued to brokers as consideration for brokerage services provided to the Company.
- (e) No funds were raised from the issue.
- (f) A voting exclusion statement is included in the Notice.

8.3 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 5. This will restore the 15% annual limit permitted by Listing Rule 7.1 and allow the Company to issue further securities without Shareholder approval.

9 RESOLUTION 6 - RATIFICATION OF PRIOR ISSUE OF SHARES

9.1 Introduction

On 15 June 2016, the Company issued 175,000 Shares to sophisticated investors pursuant to listing rule 7.1 to raise \$35,000. These securities were issued to unrelated parties of the Company and within the Company's 15% annual limit permitted by Listing Rule 7.1; and therefore without the need for Shareholder approval.

9.2 Regulatory requirements

The regulatory requirements of Listing Rule 7.1 are set out in section 6.2 above.

The effect of Shareholders passing Resolution 6 and ratifying the issue will be to restore the Company's ability to issue further capital to the maximum 15% limit during the next 12 months.

9.3 Information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5, the following information is provided about the issue:

- (a) The number of securities issued by the Company was 175,000 Shares.
- (b) The Shares were issued for \$0.20 per Share.
- (c) The Shares are fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and rank equally with the existing Shares on issue.
- (d) The securities were issued to sophisticated investors.
- (e) Funds raised from the issue were used for working capital.
- (f) A voting exclusion statement is included in the Notice.

9.4 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 6. This will restore the 15% annual limit permitted by Listing Rule 7.1 and allow the Company to issue further securities without Shareholder approval.

10 RESOLUTION 7 - RATIFICATION OF SHARES AND OPTIONS ISSUED TO THE VENDOR OF THE DALGARANGA PROJECT

10.1 Introduction

On 2 March 2016, the Company announced that it had acquired 100% of the Dalgaranga Project in Western Australia from Peter Gianni (Vendor).

The key terms of the Agreement were:

- (a) Krakatoa issues the Vendor (or nominees) 2,000,000 Shares and 2,000,000 Listed Options exercisable at \$0.20 and expiring on or before 31 March 2017 upon signing the tenement sale agreement; and

- (b) Krakatoa to pay \$25,000 and issue the Vendor or (nominees) 1,000,000 Shares and 1,000,000 Listed Options exercisable at \$0.20 on or before 31 March 2017 upon the grant of the prospecting license.

On 4 March 2016, the Company issued 2,000,000 Shares and 2,000,000 Listed Options to Peter Gianni (or nominees). That issue was ratified by the Company's shareholders on 6 May 2016.

On 14 September 2016, the Company issued 1,000,000 Shares and 1,000,000 Listed Options to the Vendor of the Dalgara Project under the Company's Listing Rule 7.1 capacity. Though the Company's shareholders approved the issue of 1,000,000 Shares and 1,000,000 Options on 6 May 2016, the approval lapsed as the Company was unable to issue the securities within the 3 month period prescribed by listing rule 7.3.2. As a result, the securities have been issued within the Company's 15% annual limit permitted by Listing Rule 7.1 and therefore without Shareholder approval.

10.2 Regulatory requirements

The regulatory requirements of Listing Rule 7.1 are set out in section 6.2 above.

The effect of Shareholders passing Resolution 7 and ratifying the issue will be to restore the Company's ability to issue further capital to the maximum 15% limit during the next 12 months.

10.3 Information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5, the following information is provided about the issue:

- (a) The number of securities issued by the Company was 1,000,000 Shares and 1,000,000 Listed Options.
- (b) The Shares and Listed Options were issued for nil cash consideration as they are consideration for the acquisition of the Dalgara Project.
- (c) The Shares are fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and rank equally with the existing Shares on issue. The terms of the Listed Options are set out in **Schedule 2**.
- (d) The securities were issued to Peter Gianni (or his nominee(s)).
- (e) No funds were raised from the issue.
- (f) A voting exclusion statement is included in the Notice.

10.4 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 7. This will restore the 15% annual limit permitted by Listing Rule 7.1 and allow the Company to issue further securities without Shareholder approval.

11 RESOLUTION 8 - RATIFICATION OF 9,214,858 PLACEMENT SHARES

11.1 Introduction

On 7 October 2016, the Company announced completion of a placement of 9,214,858 Shares at an issue price of \$0.15 per Share, raising \$1,382,229(Placement). The Shares were issued as follows:

- (a) 920,035 Shares issued on 29 September 2016;
- (b) 6,530,669 Shares issued on 7 October 2016; and
- (c) 1,764,154 Shares issued on 12 October 2016.

Shares under the Placement were issued under the Company's available capacity under Listing Rules 7.1 and 7.1A and therefore without Shareholder approval.

11.2 Regulatory requirements

The regulatory requirements of Listing Rules 7.1 and 7.1A are set out in section 6.2 above.

The effect of Shareholders passing Resolution 8 and ratifying the issue will be to restore the Company's ability to issue further capital to the maximum 15% limit during the next 12 months and increase the base figure (i.e., variable 'A') in which the Company's 15% and 10% annual placement capacities are calculated, which in turn will allow a proportionately higher number of securities to be issued without Shareholder approval.

11.3 Information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5, the following information is provided about the issue:

- (a) The number of securities issued by the Company was 9,214,858 Shares. Of those, 4,365,582 Shares were issued under Listing Rule 7.1 and 4,849,276 Shares were issued under Listing Rule 7.1A.
- (b) The Shares were issued at \$0.15 per Share.
- (c) The Shares are fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and rank equally with the existing Shares on issue.
- (d) The securities were issued to sophisticated investors.
- (e) Funds raised from the issue are intended to be used for:
 - (i) evaluation of an early-stage clean energy opportunity in Australia;
 - (ii) costs of the issue; and
 - (iii) working capital.
- (f) A voting exclusion statement is included in the Notice.

11.4 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 8. By ratifying the issue of Shares under Resolution 8, the base figure (i.e. variable 'A') in which the Company's 15% and 10% annual placement capacities are calculated will be a higher number, which in turn will allow a proportionately higher number of securities to be issued without Shareholder approval.

12 RESOLUTION 9 - APPROVAL FOR ISSUE OF FREE ATTACHING OPTIONS

12.1 Introduction

Resolution 9 seeks Shareholder approval under Listing Rule 7.1 to issue 9,214,858 free attaching Listed Options to subscribers of the Placement, the subject of Resolution 8.

12.2 Regulatory requirements

The regulatory requirements of Listing Rule 7.1 are set out in section 3.2 above.

The effect of Shareholders passing Resolution 9 will be to allow the Company to issue the Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

12.3 Information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3, the following information is provided about the issue:

- (a) The maximum number of securities to be issued is 9,214,858 Listed Options.
- (b) The securities will be issued no later than 3 months after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (c) The Listed Options are free attaching to the Placement Shares and will be issued to subscribers of the Placement Shares (the subject of Resolution 8). The terms of the Listed Options are set out in **Schedule 2**.
- (d) No funds will be raised from the issue of the Listed Options as they are free attaching.
- (e) A voting exclusion statement is included in the Notice.

12.4 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 9. This will allow the Company to issue securities and raise funds whilst preserving the Company's 15% annual limit permitted by Listing Rule 7.1.

13 RESOLUTION 10 - APPROVAL FOR ISSUE OF UNLISTED OPTIONS TO CORPORATE ADVISERS

13.1 Introduction

Resolution 10 seeks Shareholder approval under Listing Rule 7.1 to issue 8,000,000 unlisted options exercisable at \$0.40 and expiring on or before the date which is 3 years from the issue date (**Unlisted Options**).

Shareholder approval is sought to issue 8,000,000 Unlisted Options to corporate advisers to the Placement.

13.2 Regulatory Requirements

The regulatory requirements of Listing Rule 7.1 are set out in section 6.2 above.

The effect of Shareholders passing Resolution 10 will be to allow the Company to issue the Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

13.3 Information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3, the following information is provided about the issue:

- (a) The maximum number of securities to be issued is 8,000,000 Unlisted Options.
- (b) The securities will be issued no later than 3 months after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (c) The securities will be issued for nil cash consideration.
- (d) The securities will be issued to corporate advisors to the Placement.
- (e) The terms of the Unlisted Options are set out in **Schedule 3**.
- (e) No funds will be raised from the issue.
- (f) A voting exclusion statement is included in the Notice.

13.4 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 10. This will allow the Company to issue securities and raise funds whilst preserving the Company's 15% annual limit permitted by Listing Rule 7.1.

14 RESOLUTION 11 - APPROVAL FOR ADDITIONAL PLACEMENT CAPACITY

14.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval to allow it to issue Equity Securities up to 10% of its issued capital over a period up to 12 months after the entity's annual general meeting (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 11, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in Section 14.2(below)).

The effect of Resolution 11 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 11 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 11 for it to be passed.

14.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (i) is not included in the S&P/ASX 300 Index; and
- (ii) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$9,657,394 as at 20 October 2016 (based on placement price of \$0.15 per share, the subject of resolution 10, due to the Company securities being in suspension as at the date of this Notice).

The Equity Securities must be in the same class as an existing class of quoted Equity Securities. The Company currently has two classes of quoted Equity Securities on issue, being the Shares (ASX Code: KTA) and Options (ASX Code: KTAOA).

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times D) - E$$

Where:

- A = the number of Shares on issue 12 months before the date of issue or agreement:
- (A) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
 - (B) plus the number of partly paid shares that became fully paid in the previous 12 months;
 - (C) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and

(D) less the number of Shares cancelled in the previous 12 months.

D = 10%.

E = the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of ordinary securities under ASX Listing Rule 7.1 or 7.4.

14.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 11:

(a) **Minimum Price**

The issue price of Equity Securities issued under Listing Rule 7.1A must not be less than 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph 1.1(b)(i), the date on which the Equity Securities are issued.

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Annual General Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of the Annual General Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

(10% Placement Capacity Period).

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 11 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A.2, on the basis of

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the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Variable A in ASX Listing Rule 7.1A2)	Dilution			
	Issue Price (per Share)	\$0.075 (50% decrease in current issue price)	\$0.15 (Current issue price)	\$0.225 (50% increase in current issue price)
64,382,626 (Current)	Shares issued - 10% voting dilution	6,438,262 Shares	6,438,262 Shares	6,438,262 Shares
	Funds raised	\$482,870	\$965,740	\$1,448,610
96,584,403 (50% increase on current shares)*	Shares issued - 10% voting dilution	9,658,440 Shares	9,658,440 Shares	9,658,440 Shares
	Funds raised	\$724,383	\$1,448,766	\$2,173,149
128,765,252 (100% increase on current shares)*	Shares issued - 10% voting dilution	12,876,525 Shares	12,876,525 Shares	12,876,525 Shares
	Funds raised	\$965,739	\$1,931,478	\$2,897,217

* The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

(c) **The table above uses the following assumptions:**

1. There are currently 64,382,626 Shares on issue as at 20 October 2016.
2. The issue price set out above is the \$0.15, being the last capital price (the subject of resolution 8) as the Company is in suspension as at the date of this Notice.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Annual General Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Annual General Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration, in which case the Company intends to use funds raised for exploration of its projects and potentially the funding for any suitable acquisition opportunities identified by the Board; or
- (ii) as non-cash consideration for the acquisition of new resources assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

(e) **Allocation under the 10% Placement Capacity**

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (A) the purpose of the issue;
- (B) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (C) the effect of the issue of the Equity Securities on the control of the Company;
- (D) the Company's circumstances, including, but not limited to, its financial position and solvency;
- (E) prevailing market conditions; and
- (F) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) **Previous Approval under ASX Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 30 November 2015 (**Previous Approval**).

During the 12 month period preceding the date of the Meeting, being on and from 25 November 2015, the Company issued 17,102,891 Shares and 27,039,787 Options which represents approximately 93.36% of the total number of Equity Securities on issue in the Company on 25 November 2015, which was 47,279,735.

Further details of the issues of Equity Securities by the Company during the 12 month period preceding the date of the Meeting are set out in **Schedule 4**.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:

- (a) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (b) the information required by Listing Rule 3.10.5A for release to the market.

14.4 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 11.

SCHEDULE 1 DEFINITIONS

In this Notice and Explanatory Memorandum:

ASX	means ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires.
Board	means the board of Directors.
Chair or Chairperson	means the chair of the Company.
Closely Related Party of a member of the Key Management Personnel	means a spouse or child of the member; or a child of the member's spouse; or a dependent of the member or the member's spouse; or 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 dealings with the entity; or a company the member controls; or a person prescribed by the Corporations Regulations 2001 (Cth).
Company	means Krakatoa Resources Limited (ABN 39 155 231 575).
Constitution	means the constitution of the Company as amended.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth) as amended.
Director	means a director of the Company.
Equity Securities	has the same meaning given in the Listing Rules.
Explanatory Memorandum	means this explanatory memorandum.
Key Management Personnel	has the same meaning given in the Listing Rules.
Listed Option	means an option to subscribe for Shares in the Company which is listed on the official list of the ASX on the terms set out in Schedule 2 of this Explanatory Memorandum.
Listing Rule	means the listing rules of the ASX.
Meeting	means the meeting convened by this Notice (as adjourned from time to time).
Notice	means this notice of meeting.
Option	means an option to be issued a Share.
Placement	has the meaning given in section 11.1 of this Explanatory Memorandum.
Proxy Form	means the proxy form attached to this Notice.
Remuneration Report	means the remuneration report of the Company included in the Directors' Report section of the Company's Annual Report.
Resolution	means a resolution set out in the Notice.

Securities	means a Share or an Option.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of a Share.
Spill Meeting	has the meaning given in section 4.2 of this Explanatory Memorandum.
Spill Resolution	has the meaning given in section 4.2 of this Explanatory Memorandum.
Trading Days	means a day determined by ASX to be a trading day in accordance with the Listing Rules.
Unlisted Option	means an option to subscribe for Shares in the Company which is not listed on the official list of the ASX on the terms set out in Schedule 3 of this Explanatory Memorandum.
WST	means Western Standard Time.
VWAP	means volume weighted average price as defined in the Listing Rules.

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SCHEDULE 2 TERMS OF LISTED OPTIONS

The Listed Options are granted on the following terms and conditions:

- (a) Each Option entitles the holder to acquire one fully paid ordinary Share in the Company.
- (b) The Options may be exercised at any time on or before 5.00pm (WST) on 31 March 2017. Each Option may be exercised by forwarding to the Company at its principal office the exercise notice, duly completed, together with payment of the sum of 20 cents (\$0.20) per Option exercised. The Options will lapse at 5.00pm (WST) on 31 March 2017.
- (c) The Options may be transferred by an instrument (duly stamped where necessary) in the form commonly used for transfer of Options at any time until 5.00pm (WST) on 31 March 2017, being the date the Options expire. This right is subject to any restrictions on the transfer of an Option that may be imposed by ASX.
- (d) Optionholders can only participate in new issues of securities provided they have first exercised their Options in which case the Optionholders shall be afforded the period of at least four (4) business days prior to the record date (to determine entitlements to the issue) to exercise the Options.
- (e) Shares issued on the exercise of Options will be issued not more than fourteen (14) days after receipt of a properly executed exercise notice and application moneys. Shares allotted pursuant to the exercise of an Option will rank equally with the then issued ordinary shares of the Company in all respects. If the Company is listed on ASX it will, pursuant to the exercise of an Option, apply to ASX for Quotation of the Shares issued as a result of the exercise, in accordance with the Corporations Act and the Listing Rules.
- (f) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital at the time of the reconstruction.
- (g) If there is a bonus issue to shareholders, the number of Shares over which the Option is exercisable may be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
- (h) In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced in accordance with Listing Rule 6.22.

SCHEDULE 3 TERMS OF UNLISTED OPTIONS

The Unlisted Options are granted on the following terms and conditions:

- (a) Each Option entitles the holder to acquire one fully paid ordinary Share in the Company.
- (b) The Options may be exercised at any time on or before 5.00pm (WST) on the date which is 3 years from the date of issue. Each Option may be exercised by forwarding to the Company at its principal office the exercise notice, duly completed, together with payment of the sum of 40 cents (\$0.40) per Option exercised. The Options will lapse at 5.00pm (WST) on the date which is 3 years from the date of issue.
- (c) The Options may be transferred by an instrument (duly stamped where necessary) in the form commonly used for transfer of Options at any time until 5.00pm (WST) on the date which is 3 years from the date of issue, being the date the Options expire. This right is subject to any restrictions on the transfer of an Option that may be imposed by ASX.
- (d) Optionholders can only participate in new issues of securities provided they have first exercised their Options in which case the Optionholders shall be afforded the period of at least four (4) business days prior to the record date (to determine entitlements to the issue) to exercise the Options.
- (e) Shares issued on the exercise of Options will be issued not more than fourteen (14) days after receipt of a properly executed exercise notice and application moneys. Shares allotted pursuant to the exercise of an Option will rank equally with the then issued ordinary shares of the Company in all respects. If the Company is listed on ASX it will, pursuant to the exercise of an Option, apply to ASX for Quotation of the Shares issued as a result of the exercise, in accordance with the Corporations Act and the Listing Rules.
- (f) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital at the time of the reconstruction.
- (g) If there is a bonus issue to shareholders, the number of Shares over which the Option is exercisable may be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
- (h) In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced in accordance with Listing Rule 6.22.

SCHEDULE 4 - ISSUE OF EQUITY SECURITIES SINCE 25 NOVEMBER 2015

Issue date	Equity Securities	Persons issued to or basis of issue	Issue price and discount to Market Price ¹	Amount raised and use of funds or value of non-cash consideration
3 December 2015	733,333 fully paid ordinary shares	Private investors	\$0.15 - 7% Premium	\$110,000 for costs of the issue, payments to other administrative creditors and for general working capital purposes.
3 December 2015	788,333 options exercisable at \$0.20 on or before 31 March 2017	Brokers	Nil cash consideration	Valued at \$15,767 ⁴ for brokerage associated with Placement.
3 December 2015	8,000,000 options exercisable at \$0.40 on or before 31 March 2017	Directors and Consultants	Nil cash consideration	Valued at \$168,000 ⁴ for incentive for future performance
24 December 2015	11,978,271 options exercisable at \$0.20 on or before 31 March 2017	Private Investors	\$0.01 - no discount	\$119,783 for costs of the issue, payments to other administrative creditors and for general working capital purposes.
24 December 2015	50,000 options exercisable at \$0.20 on or before 31 March 2017	Brokers	Nil cash consideration	Valued at \$1,000 ⁴ for brokerage associated with Placement.
4 March 2016	2,000,000 fully paid ordinary shares	Peter Gianni or nominees	Nil cash consideration	Valued at \$300,000 for acquisition of the Dalgaranga Project
4 March 2016	2,000,000 options exercisable at \$0.20 on or before 31 March 2017	Peter Gianni or nominees	Nil cash consideration	Valued at \$50,000 for acquisition of the Dalgaranga Project
15 March 2016	3,479,700 fully paid ordinary shares	Private Investors	\$0.15 - 35% Discount	\$521,955 for costs of the issue, proposed exploration activities on the Dalgaranga Project, due diligence on the Bone Bay Graphite Project, payments to administrative creditors and for general working capital purposes.
3 May 2016	500,000 fully paid ordinary shares	Private Investors	\$0.22 - 10% Discount	\$100,000 for costs of the issue, exploration activities on the Dalgaranga Project, payments to administrative creditors and for general

				working capital purposes.
18 May 2016	1,000,000 options exercisable at \$0.20 on or before 31 March 2017	Private investors	\$0.005 - 50% discount	\$5,000 for working capital purposes.
18 May 2016	483,333 options exercisable at \$0.20 on or before 31 March 2017	Brokers	Nil cash consideration	Valued at \$9,667 ⁴ for brokerage associated with Placement.
18 May 2016	1,739,850 options exercisable at \$0.20 on or before 31 March 2017	Private investors	Nil cash consideration	\$nil - free attaching options to private investors.
15 June 2016	175,000 fully paid ordinary shares	Private investors	\$0.20 - 33% premium	\$35,000 for working capital purposes.
14 September 2016	1,000,000 fully paid ordinary shares	Peter Gianni or nominees	Nil cash consideration	Valued at \$150,000 for acquisition of the Dalgaranga Project
14 September 2016	1,000,000 options exercisable at \$0.20 on or before 31 March 2017	Peter Gianni or nominees	Nil cash consideration	Valued at \$25,000 for acquisition of the Dalgaranga Project
28 September 2016	920,035 fully paid ordinary shares	Private investors	\$0.15 - 29% Discount	\$138,005 for costs of the issue, evaluation of an early-stage clean energy opportunity in Australia and for general working capital purposes.
7 October 2016	6,530,669 fully paid ordinary shares	Private investors	\$0.15 - 29% Discount	\$979,601 for costs of the issue, evaluation of an early-stage clean energy opportunity in Australia and for general working capital purposes.
12 October 2016	1,764,154 fully paid ordinary shares	Private investors	\$0.15 - 29% Discount	\$264,623 for costs of the issue, evaluation of an early-stage clean energy opportunity in Australia and for general working capital purposes.

Notes:

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. Fully paid ordinary shares in the capital of the Company, ASX Code: KTA (terms are set out in the Constitution).
3. The cash balance of the Company on 30 September 2015 was approximately \$0.05m. The aggregate amount raised from issues of Equity Securities listed in Schedule 1 is \$2.27m. The cash balance of the Company as at the date of this Notice is approximately \$0.88m. The amount spent since 30 September 2015 to the date of this Notice has been approximately \$1.44m. These funds have been spent on exploration activities and operating expenses of the Company. It is intended that the remaining cash balance will be spent on evaluation of an early-stage clean energy opportunity in Australia and operating expenses of the Company
4. In respect of unquoted Equity Securities the value of Options is measured using the Black & Scholes option pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Option, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option. No account is taken of any performance conditions included in the terms of the Option other than market based performance conditions (i.e. conditions linked to the price of Shares).

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PROXY FORM

APPOINTMENT OF PROXY
KRAKATOA RESOURCES LIMITED
ABN 39 155 231 575

ANNUAL GENERAL MEETING

I/We _____
of _____

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

Name of Proxy: _____

OR the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual 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 Annual 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, 25 November 2016, and at any adjournment thereof.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolutions 1 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on Business of the Annual General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director - Timothy Hogan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of prior issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of prior issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratification of prior issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Ratification of prior issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Ratification of prior issue of Shares and Options to the Vendor of the Dalgara Project	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Ratification of prior issue of Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Approval for issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Approval for issue of Unlisted Options to Corporate Advisors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Approval for Additional Placement Capacity	<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 _____%

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

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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; or
- 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.