



ABN 39 155 231 575

KRAKATOA RESOURCES LIMITED ACN 155 231 575

PROSPECTUS

THIS PROSPECTUS IS BEING ISSUED FOR THE OFFER OF 1,000 SHARES AT AN ISSUE PRICE OF \$0.15 PER SHARE TOGETHER WITH ONE FREE ATTACHING OPTION PER SHARE ISSUED, EXERCISABLE AT \$0.20 EACH ON OR BEFORE 31 MARCH 2017 TO RAISE \$150 (BEFORE COSTS).

THIS PROSPECTUS HAS BEEN PREPARED PRIMARILY FOR THE PURPOSE OF SECTION 708A(11) OF THE CORPORATIONS ACT TO REMOVE ANY TRADING RESTRICTIONS ON QUOTED SECURITIES ISSUED PRIOR TO THE CLOSING DATE.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.
IT SHOULD BE READ IN ITS ENTIRETY.

IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.

THE SECURITIES OFFERED BY THIS PROSPECTUS ARE OF A SPECULATIVE NATURE

For personal use only

IMPORTANT INFORMATION

This Prospectus is dated 24 March 2017 and was lodged with the ASIC on that date with the consent of all Directors. Neither ASIC nor ASX nor their respective officers take any responsibility for the contents of this Prospectus.

No Securities will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus). The Company will apply for Official Quotation by ASX of the Securities offered by this Prospectus.

A copy of this Prospectus is available for inspection at the registered office of the Company at Level 11, 216 St Georges Terrace, Perth, Western Australia, 6000, during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 4.4). The Offer is only available to those who are personally invited to accept the Offer. Applications for Securities under the Offer can only be submitted on an original Application Form which accompanies this Prospectus.

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 2 of this Prospectus. These risks, together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Securities in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Definitions of certain terms used in this Prospectus are contained in Section 6. All references to currency are to Australian dollars and all references to time are to WST unless otherwise indicated. Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

CORPORATE DIRECTORY

Directors

Colin Locke Executive Chairman
Aryo Bimo Non-Executive Director
Timothy Hogan Non-Executive Director

Company Secretary

David Palumbo

Registered Office

Level 11, 216 St Georges Terrace
PERTH WA 6000
Tel: + 61 8 9481 0389
Fax: + 61 8 9463 6103

ASX Code:

KTA

Website: www.krakatoaresources.com

Share Registry*

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
PERTH WA 6000
Tel: 1300 555 159
Fax: +61 3 9323 2033

Solicitors

Bellanhouse Legal
Ground Floor, 11 Ventnor Avenue
WEST PERTH WA 6005

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

TIMETABLE

Event	Date*
Lodgement of Prospectus with ASIC and ASX	24 March 2017
Opening Date of Offer	27 March 2017
Closing Date of Offer	27 March 2017
Anticipated date of Official Quotation of the Securities	29 March 2017

* These dates are indicative only and subject to change. Subject to the Corporations Act and the Listing Rules, the Directors reserve the right to vary these dates, including the Closing Date, without prior notice.

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1. Details of the Offer

1.1 Summary of the Offer

The Company is offering, pursuant to this Prospectus, 1,000 Shares at an issue price of \$0.15 each, together with one free attaching option for every Share issued, exercisable at \$0.20 on or before 31 March 2017 (**Options**), to raise approximately \$150 (before costs) (**Offer**).

The Offer will only be extended to specific parties on invitation of the Directors. Application Forms will only be provided by the Company to these parties.

Shares issued under the Offer will be issued as fully paid ordinary shares and will rank equally in all respect with the existing Shares on issue. Refer to Section 4.1 for a summary of the rights and liabilities attaching to the Shares under the Offer.

Options issued under the Offer will be issued on the same terms in all respects with the existing Options on issue. Refer to Section 4.2 for a summary of the rights and liabilities attaching to the Shares under the Offer.

1.2 Previous issue of Securities

On 17 August 2016, the Company announced that it had entered into an agreement with a private company, United Mining Group, to jointly pursue opportunities in the energy sector. Since this announcement, the Company has issued Securities as outlined below:

- (a) on 7 October 2016, the Company announced that it had completed a capital raising of \$1,382,229 (before costs) by way of the issue of 9,214,858 Shares at a price of \$0.15 per Share with one free attaching quoted Option for every Share subscribed for, and exercisable at \$0.20 until 31 March 2017; and
- (b) on 5 December 2016, the Company announced that it had completed a capital raising of \$500,000 (before costs) by way of the issue of 3,333,333 Shares at a price of \$0.15 per Share with one free attaching quoted Option for every Share subscribed for, and exercisable at \$0.20 until 31 March 2017,

(Capital Raising Securities).

The Capital Raising Securities were issued without disclosure under Part 6D.2 of the Corporations Act to sophisticated and professional investors. Funds raised from the issue of the Capital Raising Securities were primarily used by the Company to fund the due diligence and professional advisor costs associated with the potential acquisitions of clean energy opportunities.

1.3 Purpose of the Prospectus

Generally, section 707(3) of the Corporations Act requires that a prospectus is issued in order for a person to whom securities were issued without disclosure under Part 6D of the Corporations Act to on-sell those securities within 12 months of the date of their issue.

Section 708A(11) of the Corporations Act provides an exemption from this general requirement where:

- (a) the relevant securities are in a class of securities of the company that are already quoted on ASX;

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- (b) a prospectus is lodged with ASIC either:
 - (i) on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
 - (c) the prospectus is for an offer of securities issued by the company that are in the same class of securities as the relevant securities.

The primary purpose of this Prospectus is to comply with section 708A(11) of the Corporations Act to remove any trading restrictions that may have attached to Securities issued by the Company prior to the Closing Date, including the Capital Raising Securities, so that the holders of the Capital Raising Securities, if they choose to, may sell the Capital Raising Securities within the next twelve months without the issue of a prospectus.

Accordingly, the purpose of this Prospectus is to:

- (a) make the Offer; and
- (b) ensure that the on-sale of the Capital Raising Securities do not breach section 707(3) of the Corporations Act.

The Securities issued under the Offer will be issued under the Company's existing placement capacity under Listing Rule 7.1.

\$150 will be raised under the Offer. The total estimated expenses of the Offer of \$7,600 will be paid by the Company from its cash reserves.

1.4 Closing Date

The Closing Date for the Offer is 27 March 2017. The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend the Closing Date without prior notice. If the Closing Date is varied, subsequent dates may also be varied accordingly.

1.5 Minimum subscription

There is no minimum subscription for the Offer.

1.6 Application Forms

The Offer is being extended to investors who are invited by the Company to subscribe for Securities and is not open to the general public. The Company may determine in its discretion whether to accept any or all Applications.

Applications must be made using the Application Form attached to this Prospectus. To the maximum extent permitted by law, the Directors will have discretion over which Applications to accept.

Completed Application Forms must be received by the Company prior to the Closing Date. Application Forms should be delivered to Krakatoa Resources Limited, Level 11, 216 St Georges Terrace, Perth, Western Australia, 6000, or sent by facsimile to (08) 9463 6103.

If you are in doubt as to the course of action, you should consult your professional advisor.

Acceptance of a completed Application Form by the Company creates a legally binding contract between the Applicant and the Company for the number of Shares accepted by the Company. The Application Form does not need to be signed to be a binding acceptance of the Securities under the Offer.

If the Application Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Application Form is final.

1.7 Issue and dispatch

Subject to the Corporations Act and the Listing Rules, the Company intends to issue the Securities under the Offer on or about 27 March 2017.

Security holder statements will be dispatched as soon as possible after the issue of the Securities under the Offer.

1.8 Application Monies held on trust

All Application Monies received for the Securities will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the Securities are issued. All Application Monies will be returned (without interest) if the Securities are not issued.

1.9 ASX quotation

Application will be made to ASX no later than 7 days after the date of this Prospectus for official quotation of the Securities under the Offer. If permission is not granted by ASX for the Official Quotation of the Securities offered by this Prospectus within 3 months after the date of this Prospectus (or such period as the ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

1.10 CHESS

The Company participates in the Clearing House Electronic Sub-register System, known as CHESS, operated by ASX Settlement Pty Limited (a wholly owned subsidiary of ASX), in accordance with the Listing Rules and ASX Settlement Operating Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of Shares.

If you are broker sponsored, ASX Settlement Pty Limited will send you a CHESS statement.

The CHESS statement will set out the number of Shares issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Shares.

If you are registered on the Issuer Sponsored sub-register, your statement will be dispatched by Computershare Investor Services Pty Limited and will contain the number of Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time; however, a charge may be made for additional statements.

1.11 Residents outside Australia

This Prospectus and an accompanying Application Form do not, and are not intended to, constitute an offer of Securities in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

1.12 Risk factors

An investment in Securities of the Company should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are detailed in Section 2.

1.13 Taxation implications

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for Securities under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders or potential investors. As a result, Applicants should consult their professional tax adviser in connection with subscribing for Securities under this Prospectus.

1.14 Major activities and financial information

A summary of the major activities and financial information relating to the Company can be found in the Company's Annual Report for the financial year ended 30 June 2016 lodged with ASX on 30 September 2016.

The Company has made continuous disclosure notices (i.e. ASX announcements) since the lodgement of its Annual Report on 30 September 2016.

Copies of the Annual Report for the financial year ended 30 June 2016 are available free of charge from the Company. The Directors strongly recommend that Applicants review these and all other announcements prior to deciding whether or not to participate in the Offer.

1.15 Privacy

Applicants will be providing personal information to the Company (directly or by the Company's share registry) on the Application Form. The Company collects, holds and will use that information to assess the Acceptance, service Shareholders' needs, facilitate distribution payments and corporate communications to Shareholders and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for Securities in the context of takeovers, regulatory bodies,

including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

Shareholders can access, correct and update the personal information the Company holds about them by contacting the Company or its share registry at the relevant contact numbers set out in this Prospectus. Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules.

Applicants should note that if they do not provide the information required on the Application Form, the Company may not be able to accept or process their Acceptance.

1.16 Effect of the Offer on control of the Company

The Company is of the view that the Offer will not affect the control (as defined by section 50AA of the Corporations Act) of the Company. No new investor or existing Shareholder will have a voting power greater than 20% as a result of the completion of the Offer.

1.17 Enquiries concerning Prospectus

Enquiries relating to this Prospectus should be directed to the Company Secretary by email on david@miningcorporate.com.au.

2. Risk factors

The Securities offered under this Prospectus should be considered speculative because of the nature of the business activities of the Company. Potential investors should consider whether the Securities offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. This list is not exhaustive and potential investors should read this Prospectus in its entirety and if in any doubt consult their professional adviser before deciding whether to participate in the Offer.

The principal risks include, but are not limited to, the following:

2.1 Mining Industry Risks

(a) Mineral and Exploration risk

The Company's tenements are early stage exploration tenements with limited exploration undertaken on them to date.

Mineral exploration by its nature is a high risk activity and there can be no guarantee of exploration success on the Company's projects. There can be no assurance that exploration of the tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

Further, exploration involves certain operating hazards, such as failure and/or breakdown of equipment, adverse geological, seismic and geotechnical conditions, industrial accidents, labour disputes, adverse weather conditions, pollution and other environmental hazards and risks.

(b) Operating risks

The proposed activities of the Company including economic studies are dependent on economic inputs from commodity prices, metallurgical tests and market tests of which there is no guarantee of positive economics. It is a risk that studies may not be completed or may be delayed indefinitely where key inputs show negative economic outcomes. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining and processing of its mineral interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of processing technology tested in pilot conditions. The nature of the technology risk is the cost of developing an economically viable commercial operation and production facility, and arises for the required scaling up from the existing pilot plant.

(c) Environmental risk

The Company's projects are subject to rules and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mineral projects, the Company's projects are expected to have a variety of environmental impacts should development proceed. Development of any of the Company's projects will be dependent on the Company satisfying

environmental guidelines and, where required, being approved by government authorities.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws, but may still be subject to accidents or other unforeseen events which may compromise its environmental performance and which may have adverse financial implications.

(d) **Commodity price volatility**

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company including the international supply and demand for commodities, the quality of the minerals produced, actions taken by governments, forward selling activities and other macro-economic factors.

(e) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of exploration, development or production on the Company's properties, or even loss of a property interest. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to shareholders.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issues and finance leases (and any related guarantee and security) that may be entered into by the Company may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or default under a finance lease could also result in the loss of assets.

(f) **Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(g) **Mineral title risks**

Mining and exploration permits are subject to periodic renewal. There is no guarantee that current or future permits or future applications for production concessions will be approved. Permits are subject to numerous legislation conditions. The renewal of the term of a granted permit is also subject to the discretion of the relevant mining inspector. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company. Furthermore the

Company could lose title to, or its interest in, tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

2.2 General risk factors

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

(a) Market conditions and other economic risks

General economic conditions, movements in interest and inflation rates, commodity prices and currency exchange rates may have an adverse effect on the Company's operations and any future development activities, as well as on its ability to fund those activities.

The price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general.

Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(b) Changes in government policies and legislation

Any material adverse changes in government policies or legislation of Australia or any other country that the Company may acquire economic interests in may affect the viability and profitability of the Company.

(c) Economic

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's business activities as well as on the Company's ability to fund those activities.

(d) Force Majeure

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(e) Litigation risks

The Company is exposed to possible litigation risks. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any litigation.

(f) Regulatory risks

The Company incurs ongoing costs and obligations associated with compliance with necessary regulations. Any failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's proposed business operations. In addition, changes in regulations

could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

(g) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on the Company's senior management and key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment or if one or more of the Directors leaves the Board.

(h) **Market conditions**

Share market conditions may affect the value of the Company's quoted Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return to Security holders arising from the Offer or otherwise.

2.3 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by prospective investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.

Therefore, the Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for the Securities.

3. Effect of the Offer

3.1 Capital structure on completion of the Offer

	Shares	Quoted Options	Unquoted options ¹
Balance at the date of this Prospectus	67,715,959	42,672,709	18,893,878
To be issued under the Offer	1,000	1,000	Nil
Balance after the Offer	67,716,959	42,673,709	18,893,878

Notes:

1. The unquoted options consist of:
 - (i) 8,000,000 unquoted options exercisable at \$0.40 each on or before 31 March 2017; and
 - (ii) 10,893,878 unquoted options exercisable at \$0.40 each on or before 12 December 2019.

3.2 Financial effect of the Offer

After paying the expenses of the Offer of approximately \$7,600, there will be no proceeds from the Offer. The expenses of the Offer (exceeding \$150) will be met from the Company's existing cash reserves. The Offer will have an effect on the Company's financial position of reducing the cash balance by \$7,450, being receipt of funds of \$150, less expenses of the Offer of \$7,600.

Please refer to Section 4.15 for further details on the estimated expenses of the Offer.

4. Additional information

4.1 Rights and liabilities attaching to Shares

A summary of the rights attaching to Shares in the Company is below. This summary is qualified by the full terms of the Constitution (a full copy of the Constitution is available from the Company on request free of charge) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, the Shareholder should seek legal advice.

(a) Voting rights

Subject to any rights or restrictions attached to any class of shares, whether by their issue, the Constitution, the Listing Rules or the Corporations Act, at a general meeting each Shareholder present in person or by proxy, company representative or attorney, is entitled to one vote on a show of hands. Upon a poll, every Shareholder present in person or by proxy, company representative or attorney, is entitled to one vote for each Share that the Shareholder holds.

(b) General meetings

Each Shareholder is entitled to receive notice of and to be present, to vote and to speak at a general meeting of the Company. Further, each Shareholder is entitled to receive all notices, accounts and other documents required to be furnished to Shareholders under the constitution of the Company, the Listing Rules or the Corporations Act.

(c) Dividend rights

The Company may in general meeting declare a dividend which shall not exceed the amount recommended by Directors. The Company does not expect to pay dividends in the short to medium term.

(d) Transfer of Shares

Subject to the constitution of the Company, the Corporations Act, the ASX Settlement Operating Rules and the Listing Rules, Shares are freely transferable. Shares may be transferred as set out in the Constitution, including by way of a market transfer. The Company may decline to register a transfer (other than a market transfer) where permitted by law, the Listing Rules or the ASX Settlement Operating Rules.

(e) Changes in capital

Subject to the Corporations Act, the constitution of the Company and the Listing Rules, the Directors may consolidate, or divide the Shares, allot, issue or otherwise dispose of new Shares on such terms and conditions as they determine.

(f) Variation of rights

The Company may only modify or vary the rights attaching to any class of Shares with the consent in writing of three quarters of the issued shares of that class or by a special resolution of the Company passed at a meeting of the holders of the issued Shares of that class.

(g) Rights on winding up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributors as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, any shares classified as restricted securities at the time of the commencement of the winding up shall rank in priority after all other shares.

(h) Election of Directors

There must be a minimum of 3 but not more than 10 Directors. At every annual general meeting one third of the Directors (rounded to the nearest whole number) must retire from office. If the Company has less than 3 Directors, one Director must retire from office together with any Director who would have held office for more than 3 years if that Director remains in office until the next general meeting. These retirement rules do not apply to certain appointments including the managing director.

(i) Indemnities

To the extent permitted by law the Company must indemnify every officer, auditor or agent of the Company out of the property of the Company against any liability incurred by him or her in their capacity as officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceeding, whether civil or criminal.

(j) Shareholder liability

As the Shares under the Prospectus are fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(k) Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

(l) Listing Rules

If the Company is admitted to trading on the Official List, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

4.2 Rights and liabilities attaching to Options

The Options offered under this Prospectus have the following terms and conditions, which are the same as those already on issue in the same class.

- (a) Each Option entitles the holder to acquire one 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 Shares of the Company in all respects. Pursuant to the exercise of an Option, the Company will 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.

4.3 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain limited exceptions), to notify ASX once it is, or becomes aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Securities.

The Company is also required to prepare and lodge with the ASIC yearly and half-yearly financial statements, accompanied by a Directors' statement and report and an audit review or report.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 4.4 below).

4.4 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of the ASIC. The Company will provide free of charge to any person who requests it during the period of the Offer, a copy of:

- (a) the Annual Report for the period ending 30 June 2016 (**Annual Report**) as lodged with ASX on 30 September 2016;
- (b) the Half Yearly Report for the period ending 31 December 2016 (**Half Yearly Report**) as lodged with ASX on 16 March 2017; and
- (c) the continuous disclosure notices given by the Company to notify ASX of information relating to the Company since the Company lodged its Annual Report and before the date of issue of this Prospectus which are as follows:

Date Lodged	Subject of Announcement
16/03/2017	Half Yearly Report and Accounts
16/03/2017	Market Update
06/03/2017	Field Program Completed at Dalgaranga & Mac Well
02/03/2017	Option Expiry
10/02/2017	Field Program Commences at Dalgaranga & Mac Well
31/01/2017	Quarterly Cashflow Report

Date Lodged	Subject of Announcement
31/01/2017	Quarterly Activities Report
12/12/2016	Appendix 3B
05/12/2016	Appendix 3B
05/12/2016	Krakatoa Completes Raise of \$0.5m
25/11/2016	Results of Meeting
31/10/2016	Quarterly Activities Report
31/10/2016	Quarterly Cashflow Report
24/10/2016	Notice of Annual General Meeting/Proxy Form
12/10/2016	Appendix 3B
07/10/2016	Information Required Under ASX Listing Rule 3.10.5A
07/10/2016	Appendix 3B
07/10/2016	Krakatoa Completes Raise of \$1.38m
30/09/2016	Annual Report to shareholders

The following documents are available for inspection throughout the period of the Offer during normal business hours at the registered office of the Company:

- (a) this Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 4.16 and the consents provided by the Directors to the issue of this Prospectus.

4.5 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Prospectus.

4.6 Determination by the ASIC

The ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Securities under this Prospectus.

4.7 Market price of Securities

The Company's securities have been suspended from trading since 8 September 2016, in accordance with ASX's policy with respect to suspension of entities seeking to undertake a back door listing transaction.

The latest available market sale price of the Shares on ASX prior to the date of suspension was \$0.21 per Share on 1 September 2016.

4.8 Dividend policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

4.9 Substantial Shareholders

Based on available information as at the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Substantial Shareholder	Number of Shares	Voting power
Asia Mineral Trade Pte Ltd	5,000,000	7.38

4.10 Directors' interests

Except as disclosed in this Prospectus, no Director and no firm in which a Director or proposed director is a partner:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Shares offered under this Prospectus or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Securities offered under this Prospectus; or
- (b) has been paid or given or will be paid or given any amount or benefit to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Securities offered under this Prospectus.

4.11 Directors' interests in Company Securities

The Directors have the following relevant interests in the Securities as at the date of this Prospectus:

Directors	Shares	Quoted Options ¹	Unquoted options
Colin Locke	86,000	Nil	3,000,000
Aryo Bimo	1,000,000	Nil	2,000,000
Timothy Hogan	Nil	Nil	2,000,000

4.12 Remuneration of Directors

The Constitution provides that the Company may remunerate the Directors. The remuneration shall, subject to any resolution of a general meeting, be fixed by the Directors. A Director may also be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

The Directors have received the following remuneration for the preceding two financial years:

		Salary & fees	Share based payments	Super-annuation	Short term annual leave	TOTAL
Colin Locke ¹	2016	103,290	63,000	-	-	166,290
	2015	-	-	-	-	-
Aryo Bimo ²	2016	35,968	42,000	-	-	77,968
	2015	90,000	-	-	-	90,000
Timothy Hogan ³	2016	26,226	42,000	2,491	-	70,717
	2015	-	-	-	-	-
Brian Varndell ⁴	2016	8,064	-	766	-	8,830
	2015	30,000	-	2,850	-	32,850
Roger Pooley ⁴	2016	2,984	-	283	-	3,267
	2015	30,000	-	2,850	-	32,850

Notes:

1. Mr Colin Locke has worked in an executive capacity as Executive Chairman since his appointment on 6 August 2015. Under the terms of the executive agreement, Mr Locke's total remuneration package is \$114,000.
2. Mr Aryo Bimo worked in an executive capacity as Executive Director for the financial period to 6 August 2015, at which point he became a Non-Executive Director. Under the terms of the executive agreement, Mr Bimo's annual salary was \$90,000. Mr Bimo's appointment as a non-executive director is formalised in the form of a service agreement. Mr Bimo is entitled to receive directors' fees of \$30,000 per annum.
3. The appointment of non-executive director Tim Hogan on 7 October 2015 is formalised in the form of a service agreement. Mr Hogan is entitled to receive directors' fees of \$36,000 plus superannuation per annum.
4. Appointment of non-executive directors Brian Varndell and Roger Pooley was formalised in the form of service agreements. They were each entitled to receive directors' fees of \$30,000 plus superannuation per annum.

4.13 Related party transactions

There are no related party transactions involved in the Offer.

4.14 Interests of other persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Offer or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or

- (b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Offer.

Bellanhouse Legal will be paid approximately \$3,500 (plus GST) in fees for legal services in connection with the Offer.

4.15 Expenses of Offer

Estimated expenses of the Offer	\$
ASIC lodgement fee & ASX quotation fee	4,100
Legal and preparation expenses	3,500
TOTAL	7,600

4.16 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of Securities under this Prospectus), the Directors, any persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) has not authorised or caused the issue of this Prospectus or the making of the Offer;
- (b) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (c) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Bellanhouse Legal has given its written consent to being named as the solicitors to the Company in this Prospectus. Bellanhouse Legal has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

5. Authorisation

This Prospectus is authorised by each of the Directors of the Company.

This Prospectus is signed for and on behalf of Company by:



Colin Locke
Executive Chairman
Krakatoa Resources Limited

Dated: 24 March 2017

6. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

\$ means Australian dollars.

Acceptance means a valid Application for Shares made pursuant to this Prospectus on an Application Form.

Applicant means a person who submits an Application Form.

Application means a valid application for Shares made on an Application Form.

Application Form means the Application Form provided by the Company with a copy of this Prospectus.

Application Monies means the amount of money in dollars and cents payable for Securities at the Offer price per Share pursuant to the Offer.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Board means the Directors meeting as a board.

Business Day means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

Capital Raising Securities has the meaning given in Section 1.2.

CHESS means ASX Clearing House Electronic Sub-registry System.

Closing Date has the meaning given in Section 1.4.

Company means Krakatoa Resources Limited ACN 155 231 575.

Constitution means the constitution of the Company as at the date of this Prospectus.

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

Directors mean the directors of the Company as at the date of this Prospectus.

Issuer Sponsored means Securities issued by an issuer that are held in uncertified form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Listing Rules means the official listing rules of ASX and any other rules of ASX which are applicable while any Shares are admitted to the Official List, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

Offer has the meaning given in Section 1.1.

Official List means the official list of ASX.

Official Quotation means quotation of Securities on the Official List.

Option means the right to acquire one Share in the capital of the Company on the terms set out in Section 4.2.

Prospectus means this prospectus dated 24 March 2017.

Section means a section of this Prospectus.

Securities means any securities, including Shares and Options, issued or granted by the Company.

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

Shareholder means a holder of Shares.

WST means Western Standard Time, being the time in Perth, Western Australia.