



**& Controlled Entities**

**Annual Report  
For the year ended 30 June 2019**

**Krakatoa Resources Limited  
& Controlled Entities**

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**CONTENTS**

CORPORATE DIRECTORY .....	3
DIRECTORS' REPORT .....	4
AUDITOR'S INDEPENDENCE DECLARATION .....	13
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	14
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	15
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	16
CONSOLIDATED STATEMENT OF CASH FLOWS.....	17
NOTES TO THE FINANCIAL STATEMENTS .....	18
DIRECTORS' DECLARATION.....	36
INDEPENDENT AUDITOR'S REPORT .....	37
CORPORATE GOVERNANCE STATEMENT .....	41
ASX INFORMATION.....	58
SCHEDULE OF MINERAL TENEMENTS .....	61

**Krakatoa Resources Limited  
& Controlled Entities**

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**CORPORATE DIRECTORY**

**PRINCIPAL AND REGISTERED OFFICE**

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Perth WA 6000  
Tel: +61 8 9481 0389  
Fax: +61 8 9463 6103  
Email: [admin@ktaresources.com](mailto:admin@ktaresources.com)  
Web: <https://ktaresources.com>

**DIRECTORS**

Colin Locke – Executive Chairman  
Timothy Hogan – Non-Executive Director  
David Palumbo – Non-Executive Director

**COMPANY SECRETARY**

David Palumbo

**SHARE REGISTRAR**

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace  
Perth WA 6000  
Tel: +61 8 9323 2000  
Fax: +61 8 9323 2033  
Web: [www.computershare.com.au](http://www.computershare.com.au)

**AUDITORS**

RSM Australia Partners  
Level 32, Exchange Tower  
2 The Esplanade  
PERTH WA 6000

**STOCK EXCHANGE LISTING**

Australian Securities Exchange  
ASX Code: KTA

# **Krakatoa Resources Limited & Controlled Entities**

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## **DIRECTORS' REPORT**

Your directors present the following report on Krakatoa Resources Limited (the "Company") and controlled entities (referred to hereafter as the "Group") for the financial year ended 30 June 2019.

### **DIRECTORS**

The names of directors in office at any time during the financial year and up to the date of this report are:

- Colin Locke (Executive Chairman)
- Timothy Hogan (Non-Executive Director)
- David Palumbo (Non-Executive Director)

Unless noted above, all directors have been in office since the start of the financial year to the date of this report.

### **COMPANY SECRETARY**

The following persons held the position of Company secretary during the financial year:

- David Palumbo

### **PRINCIPAL ACTIVITIES**

The principal activity of the Group during the financial year was the acquisition and exploration of resource based projects.

### **OPERATING RESULTS**

The loss of the Group after providing for income tax amounted to \$739,390 (2018: \$1,122,557).

### **FINANCIAL POSITION**

As at 30 June 2019, the Group had a cash balance of \$407,285 (2018: \$685,709) and a net asset position of \$250,767 (2018: \$630,223).

### **DIVIDENDS PAID OR RECOMMENDED**

No dividends have been paid, and the directors do not recommend the payment of a dividend for the financial year ended 30 June 2019.

### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

No significant changes in the state of affairs occurred during the financial year.

### **REVIEW OF OPERATIONS**

#### *Dalgaranga Project*

The Dalgaranga Project is located 80km north-west of Mount Magnet in Western Australia and lies within the Dalgaranga Greenstone Belt. The Dalgaranga Greenstone Belt is about 50km long and up to 20km wide and contains gold mineralisation (Dalgaranga gold mine), a zinc deposit (Lasoda), graphite deposits, and occurrences of tantalum, beryllium, tin, tungsten, lithium and molybdenum related to pegmatites.

## **Krakatoa Resources Limited & Controlled Entities**

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### **DIRECTORS' REPORT (CONT.)**

During the year, the Company completed a desktop review on the Dalgaranga Project for base metal prospectivity. A key finding in the review is that there are several base metal occurrences in the Dalgaranga Greenstone Belt, including the Phoebe (Zn), Gum Well 1 and 2 (Zn–Cu–Ag), the Dalgaranga Hill (Zn) and the Lasoda (Pb–Zn–Cu–Ag) prospects. The Company has concluded that the Dalgaranga Project is prospective for base metal mineralisation, as it lies along strike from the Lasoda VMS mineralisation, contains the right rocks (west of the knotted schists exposed in the open pit) and contains an EM conductor in the south of the property that is, in-turn, supported by coincident lead soil geochemistry.

#### *Mac Well Project*

The Mac Well Project has a land area of 66.9km<sup>2</sup> and is located 10km west of the Company's Dalgaranga Project. The Project contains a 7.5km strike along the prospective Warda Warra greenstone belt, mostly untested due to a thick transported cover.

During the year, the Company undertook a desktop study, multi-element MMI soil geochemical survey and a structural review of magnetic data within the Mac Well Project to identify prospective gold targets.

Based on this work, the Company considers favourable structural conditions for gold mineralisation are likely within the Mac Well tenement, acknowledging the significance and prospectivity of the western granite-greenstone contact, as evidenced by the Western Queen Mine. In addition, WMC's historical gold prospectivity model for the Warda Warra Greenstone Belt identified the importance of northeast-trending lineaments, such as the Stewart and Western Queen Zones, as a critical control on gold mineralisation within the belt.

#### *Corkill-Lawson Project*

The Corkill-Lawson Project is located in the Gowganda area of north-eastern Ontario and is prospective for cobalt-silver mineralisation. The Cobalt-Gowganda mining area (otherwise known as the Cobalt Camp) of Ontario is historically one of the most prolific cobalt and silver mining areas in the world.

During the year, the Company announced the identification of 11 targets prospective for silver-cobalt-nickel mineralisation based on reprocessing versatile time electromagnetic (VTEM) and ground induced polarisation (IP) data. The interpreted targets lie within or immediately adjacent to the confirmed 3.2km of strike of Nipissing Diabase sill covered by the claim block. Subsequently, each target was prospected for outcrop and/or reason for the anomaly. Rock chips were taken where outcrop was identified or soil samples collected where not, with five samples in a perpendicular cross across the target area. Samples were collected in the soil "B" horizon. Each target requires further consideration which will be the subject of future work.

#### *Mt Clere Project*

In June 2019, the Company obtained a 100% interest in the Mt Clere Rare Earth Project via direct licence application, subject to grant. The Project is located approximately 200km northwest of Meekatharra, in Western Australia.

The Project contains multiple targets, including REE and thorium in enriched monazite sands, REE ion adsorption on clays within the widely preserved deeply weathered lateritic profiles and lastly REE occurring in plausible carbonatites associated with alkaline magmatism.

The Company has commenced the compilation of legacy data and reprocessing the existing geophysical datasets using modern approaches and enhancements with a reconnaissance field program planned for the September 2019 quarter.

## **Krakatoa Resources Limited & Controlled Entities**

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### **DIRECTORS' REPORT (CONT.)**

#### **INFORMATION ON DIRECTORS**

##### **Colin Locke**

Executive Chairman

From 1984 to 1993, Colin Locke worked in the mining industry processing base and precious metals. During this time, he traded resource stocks and international futures contracts.

In 1993, Mr. Locke joined an Australian commodity and futures broking firm as an investment advisor and became a Director in 1994. In 1998 Mr. Locke founded a boutique Australian Financial Services firm and held the position of Managing Director from 1999 until 2010.

In 2007 Mr. Locke held the role of Corporate Advisor during the acquisition process for the Mayoko iron ore project in the Republic of Congo that was subsequently taken over in 2010 for circa AUD 50mi and later on sold for over 300mi.

From 2008, Mr. Locke focused on natural resources exploration pursuits through the Indonesian archipelago and founded Western Mining Network Ltd, (now European Cobalt, EUC) where he held the role of Executive Director from 2010 until 2012.

Mr. Locke brings to the board and shareholders a mining related background with business management and financial experience spanning over 30 years.

##### Interest in Securities

129,000 Fully paid ordinary shares  
7,000,000 options exercisable at \$0.05 on or before 31 July 2021  
4,000,000 options exercisable at \$0.10 on or before 24 October 2020

##### Directorships held in other listed entities

None

##### **Timothy Hogan**

Non-Executive Director

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.

##### Interest in Securities

6,000,000 options exercisable at \$0.05 on or before 31 July 2021  
4,000,000 options exercisable at \$0.10 on or before 24 October 2020

## Krakatoa Resources Limited & Controlled Entities

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### DIRECTORS' REPORT (CONT.)

Directorships held in other listed entities

None

#### **David Palumbo**

Non-Executive Director & Company Secretary

Mr Palumbo is a Chartered Accountant and a graduate of the Australian Institute of Company Directors with over thirteen years' experience in company secretarial, accounting and financial reporting of ASX listed and unlisted companies, including five years as an external auditor. Mr Palumbo is an employee of Mining Corporate and provides corporate advisory, financial management and corporate compliance services. He has acted as Company Secretary for numerous ASX listed companies, assisted with multiple ASX IPO's and previously served on the Board of Roto International Ltd and High Grade Metals Ltd.

Interest in Securities

501,500 Fully paid ordinary shares  
2,539,389 options exercisable at \$0.05 on or before 31 July 2021  
289,389 options exercisable at \$0.40 on or before 12 December 2019  
2,000,000 options exercisable at \$0.10 on or before 24 October 2020

Directorships held in other listed entities

None

### **REMUNERATION REPORT (AUDITED)**

This report details the nature and amount of remuneration for each director of Krakatoa Resources Limited and for the executives receiving the highest remuneration.

#### **1. Employment Agreements**

Mr Colin Locke has worked for the Group 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 currently \$84,000.

Appointments of non-executive directors Timothy Hogan and David Palumbo are formalised in the form of service agreements between themselves and the Group. Their engagements have no fixed term but cease on their resignation or removal as a director in accordance with the Corporations Act 2001. Mr Hogan is currently entitled to receive directors' fees of \$60,000 plus superannuation (increased from \$36,000 from 1 August 2018) and Mr Palumbo is currently entitled to receive directors' fees of \$40,000 per annum.

#### **2. Remuneration policy**

The Group's remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

## Krakatoa Resources Limited & Controlled Entities

### DIRECTORS' REPORT (CONT.)

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and are entitled to the issue of share options.
- Incentive paid in the form of share options are intended to align the interests of directors and Group with those of the shareholders.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Group's shareholders' value. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements. All remuneration paid to directors and executives is valued at the cost to the Group and expensed, or capitalised to exploration expenditure if appropriate. Options, if given to directors and executives in lieu of remuneration, are valued using the Black-Scholes methodology. The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to directors is \$250,000. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Group and are able to participate in the employee share option plan.

### 3. Performance-based remuneration

There is currently no performance-based remuneration policy in place.

### 4. Details of remuneration for the year ended 30 June 2019

The remuneration for each key management personnel of the Group during the financial year ended 30 June 2019 and 30 June 2018 was as follows:

2019	Short-term Benefits	Post- employment Benefits	Other Long- term Benefits	Share based Payment		Total	Perfor- mance Related	Value of Options Re- muneration
Key Management Person	Cash, salary & commissions	Super- annuation	Other	Equity	Options		%	%
Directors	\$	\$	\$	\$	\$	\$	%	%
Colin Locke	84,000	-	-	-	-	84,000	-	-
Timothy Hogan	60,000	5,700	-	-	-	65,700	-	-
David Palumbo	40,000	-	-	-	-	40,000	-	-
	<b>184,000</b>	<b>5,700</b>	-	-	-	<b>189,700</b>		



**Krakatoa Resources Limited  
& Controlled Entities**

**DIRECTORS' REPORT (CONT.)**

2018	Short-term Benefits	Post- employment Benefits	Other Long- term Benefits	Share based Payment		Total	Perfor- mance Related	Value of Options Re- muneration
Key Management Person	Cash, salary & commissions	Super- annuation	Other	Equity	Options			
Directors	\$	\$	\$	\$	\$	\$	%	%
Colin Locke	94,000	-	-	-	70,000	164,000	-	43%
Timothy Hogan	58,000	5,510	-	-	70,000	133,510	-	52%
David Palumbo <sup>1</sup>	36,667	-	-	-	70,000	106,667	-	66%
Aryo Bimo <sup>1</sup>	13,500	-	-	-	-	13,500	-	-
	<b>202,167</b>	<b>5,510</b>	<b>-</b>	<b>-</b>	<b>210,000</b>	<b>417,677</b>		

<sup>1</sup>Aryo Bimo resigned on 7 August 2017 and David Palumbo was appointed on 7 August 2017

**5. Equity holdings of key management personnel**

**Shareholdings**

Number of shares held by key management personnel during the financial year ended 30 June 2019 was as follows:

2019	Balance 1.7.2018 No.	Received as Compensation No.	Options Exercised No.	Net Change Other No.	Balance 30.6.2019 No.
<b>Directors</b>					
Colin Locke	129,000	-	-	-	129,000
Timothy Hogan	-	-	-	-	-
David Palumbo	501,500	-	-	-	501,500
<b>Total</b>	<b>630,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>630,500</b>

**Option holdings**

Number of options held by key management personnel during the financial year ended 30 June 2019 was as follows:

2019	Balance 1.7.2018 No.	Received as Compensation No.	Options Expired No.	Net Change Other No.	Balance 30.6.2019 No.
<b>Directors</b>					
Colin Locke	7,000,000	-	-	-	7,000,000
Timothy Hogan	6,000,000	-	-	-	6,000,000
David Palumbo	2,539,389	-	-	-	2,539,389
<b>Total</b>	<b>15,539,389</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,539,389</b>

**Krakatoa Resources Limited  
& Controlled Entities**

**DIRECTORS' REPORT (CONT.)**

**6. Other transactions with key management personnel**

During the year ended 30 June 2019, Barclay Wells Limited, an entity which Timothy Hogan is a director, invoiced for brokerage of \$8,520 plus GST on \$142,000 raised in the share placement completed on 24 June 2019. The amount was outstanding at 30 June 2019. The services were provided on arm's length terms.

There were no other transactions with key management personnel during the 2019 financial year.

**7. Equity instruments granted as compensation**

There were no other equity instruments granted as compensation during the year.

**8. Company Performance**

The earnings of the consolidated entity for the five years to 30 June 2019 are summarised below:

	<b>2019</b>	<b>2018 restated</b>	<b>2017 restated</b>	<b>2016**</b>	<b>2015**</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sales revenue	-	-	-	-	-
EBITDA	(739,390)	(1,122,558)	(1,712,265)	(1,171,305)	(2,952,584)
EBIT	(739,390)	(1,122,558)	(1,712,265)	(1,171,305)	(2,952,584)
(Loss) after income tax	(739,390)	(1,122,558)	(1,712,265)	(1,171,305)	(2,952,584)

\*\* Figures have not been restated

The factors that are considered to affect total shareholder return ('TSR') are summarised below:

	<b>2019</b>	<b>2018 restated</b>	<b>2017 restated</b>	<b>2016**</b>	<b>2015**</b>
Share price at financial year end (\$)	0.022	0.027	0.04	0.18	0.15
Dividends declared (cents per share)	-	-	-	-	-
Basic loss per share (cents per share)	(0.63)	(1.08)	(2.61)	(2.3)	(7.53)

\*\* Figures have not been restated

**End of "Remuneration Report (Audited)"**

# Krakatoa Resources Limited & Controlled Entities

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## DIRECTORS' REPORT (CONT.)

### MEETINGS OF DIRECTORS

The number of Directors' meetings held during the financial year and the number of meetings attended by each Director are:

Director	Directors' Meetings	
	Number eligible to attend	Number attended
Colin Locke	3	3
Timothy Hogan	3	3
David Palumbo	3	3

### EVENTS AFTER THE REPORTING PERIOD

On 28 August 2019, the Company issued total of 75,000,000 options exercisable at \$0.05 on or before 31 July 2021, to raise gross proceeds of \$75,000.

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

### INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

### ENVIRONMENTAL ISSUES

The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and State in relation to discharge of hazardous waste and materials arising from any mining activities and development conducted by the Group on any of its tenements. To date there have been no known breaches of any environmental obligations.

### INDEMNIFYING AND INSURANCE OF OFFICERS

The Group has entered into deeds of indemnity with each director and the company secretary whereby, to the extent permitted by the Corporations Act 2001, the Group agreed to indemnify each director against all loss and liability incurred as an officer of the Group, including all liability in defending any relevant proceedings.

The Group has paid premiums to insure each of the directors and the company secretary against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Group, other than conduct involving a wilful breach of duty in relation to the Group. The disclosure of the amount of the premium is prohibited by the insurance policy.

### FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Further information, other than as disclosed this report, about likely developments in the operations of the Group and the expected results of those operations in future periods has not been included in this report as disclosure of this information would be likely to result in unreasonable prejudice to the Group.

**Krakatoa Resources Limited  
& Controlled Entities**

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**DIRECTORS' REPORT (CONT.)**

**PROCEEDINGS ON BEHALF OF THE GROUP**

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

**NON-AUDIT SERVICES**

There following fees were paid or payable to the auditor for non-audit services provided during the year ended 30 June 2019:

—	taxation services	\$ 700
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The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the non-audit services provided by the auditor do not compromise the auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services provided undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board.

**OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF RSM AUSTRALIA PARTNERS**

There are no officers of the Company who are former partners of RSM Australia partners.

**AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on the next page of the directors' report.

**Auditor**

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of Directors.



Colin Locke  
Executive Chairman  
Dated: 19 September 2019

**RSM Australia Partners**

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GPO Box R1253 Perth WA 6844

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Krakatoa Resources Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

**RSM**  
RSM AUSTRALIA PARTNERS

  
ALASDAIR WHYTE  
Partner

Perth, WA  
Dated: 19 September 2019

**Krakatoa Resources Limited  
& Controlled Entities**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$	Restated 2018 \$
Revenue	2	-	5,606
Administration expense		(63,758)	(66,266)
Compliance and regulatory expense		(240,749)	(206,240)
Employee benefits expense		(189,700)	(207,677)
Exploration expenditure and project evaluation costs		(168,197)	(401,068)
Travel expenses		(76,986)	(36,912)
Share based payment expense		-	(210,000)
<b>Loss before income tax expense</b>		<b>(739,390)</b>	<b>(1,122,557)</b>
Income tax expense	3	-	-
<b>Loss from continuing operations after tax</b>		<b>(739,390)</b>	<b>(1,122,557)</b>
<b>Loss attributable to members of the parent entity</b>		<b>(739,390)</b>	<b>(1,122,557)</b>
<b>Other comprehensive income, net of tax</b>			
<i>Reclassification adjustments</i>			
Reclassification to profit or loss on loss of control of subsidiary		-	-
<b>Other comprehensive income/(loss)</b>		-	-
<b>Total comprehensive (loss) attributable to members of the parent entity</b>		<b>(739,390)</b>	<b>(1,122,557)</b>
Basic and diluted loss per share (cents per share)	4	(0.63)	(1.08)

The accompanying notes form part of these financial statements.

**Krakatoa Resources Limited  
& Controlled Entities**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**

	Note	2019 \$	Restated 30.06.2018 \$	Restated 01.07.2017 \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	5	407,285	685,709	1,007,728
Trade and other receivables	6	22,226	11,958	8,579
<b>TOTAL CURRENT ASSETS</b>		<b>429,511</b>	<b>697,667</b>	<b>1,016,307</b>
<b>TOTAL ASSETS</b>		<b>429,511</b>	<b>697,667</b>	<b>1,016,307</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	8	178,744	67,444	87,173
<b>TOTAL CURRENT LIABILITIES</b>		<b>178,744</b>	<b>67,444</b>	<b>87,173</b>
<b>TOTAL LIABILITIES</b>		<b>178,744</b>	<b>67,444</b>	<b>87,173</b>
<b>NET ASSETS</b>		<b>250,767</b>	<b>630,223</b>	<b>929,134</b>
<b>EQUITY</b>				
Issued capital	9	9,453,316	9,093,382	8,509,736
Reserves	10	1,544,885	1,544,885	1,307,885
Accumulated losses		(10,747,434)	(10,008,044)	(8,888,487)
<b>TOTAL EQUITY</b>		<b>250,767</b>	<b>630,223</b>	<b>929,134</b>

The accompanying notes form part of these financial statements.

**Krakatoa Resources Limited  
& Controlled Entities**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

Note	Issued Capital \$	Accumulated Losses \$	Option Premium Reserve \$	Foreign Currency Translation Reserve \$	Total \$
<b>Balance at 1 July 2017</b>	<b>8,509,736</b>	<b>(8,274,736)</b>	<b>1,307,885</b>	-	<b>1,542,885</b>
Change in accounting policy	-	(610,751)	-	-	(610,751)
<b>Restated total equity at 1 July 2017</b>	<b>8,509,736</b>	<b>(8,885,487)</b>	<b>1,307,885</b>	-	<b>932,134</b>
Loss for the year	-	(1,122,557)	-	-	(1,122,557)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	(1,122,557)	-	-	(1,122,557)
<i>Transactions with owner directly recorded in equity</i>					
Shares issued during the year	612,500	-	-	-	612,500
Less: transaction costs arising from issue of shares	(28,854)	-	-	-	(28,854)
Options issued during the year	-	-	237,000	-	237,000
<b>Balance at 30 June 2018</b>	<b>9,093,382</b>	<b>(10,008,044)</b>	<b>1,544,885</b>	-	<b>630,223</b>
<b>Balance at 1 July 2018 (Restated)</b>	<b>9,093,382</b>	<b>(10,008,044)</b>	<b>1,544,885</b>	-	<b>630,223</b>
Loss for the year	-	(739,390)	-	-	(739,390)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	(739,390)	-	-	(739,390)
<i>Transactions with owner directly recorded in equity</i>					
Shares issued during the year	9 385,000	-	-	-	385,000
Less: transaction costs arising from issue of shares	9 (25,066)	-	-	-	(25,066)
Options issued during the year	-	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>9,453,316</b>	<b>(10,747,434)</b>	<b>1,544,885</b>	-	<b>250,767</b>

The accompanying notes form part of these financial statements.



**Krakatoa Resources Limited  
& Controlled Entities**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$	Restated 2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		-	5,606
Payments to suppliers and employees		(459,677)	(535,993)
Payment for exploration and evaluation expenditure and project evaluation costs		(198,341)	(202,585)
<b>Net cash used in operating activities</b>	11	<u>(658,018)</u>	<u>(732,972)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for exploration assets		-	(50,000)
Proceeds from sale of financial assets		-	-
<b>Net cash used in investing activities</b>		<u>-</u>	<u>(50,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares and options		385,000	525,000
Payment of transaction costs associated with capital raising		(5,406)	(64,047)
<b>Net cash provided by financing activities</b>		<u>379,594</u>	<u>460,953</u>
Net decrease in cash held		(278,424)	(322,019)
<b>Cash at beginning of financial year</b>		<u>685,709</u>	<u>1,007,728</u>
<b>Cash at end of financial year</b>	5	<u><b>407,285</b></u>	<u><b>685,709</b></u>

The accompanying notes form part of these financial statements.

# Krakatoa Resources Limited & Controlled Entities

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements and notes represent those of Krakatoa Resources Limited (the "Company") and its controlled entities (the "Group" or "consolidated entity"). Krakatoa Resources Limited is a listed public Company, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 19 September 2019 by the directors.

#### **Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1 (p).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars unless otherwise stated.

#### **Going Concern**

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of \$739,390 and had net cash outflows from operating activities of \$658,018 for the year ended 30 June 2019. As at that date the Group had net current assets of \$250,767. The ability of the Group to continue as a going concern is principally dependent upon the ability of the Group to secure funds by raising additional capital from equity markets and managing cash flows in line with available funds.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

**Krakatoa Resources Limited  
& Controlled Entities**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration that the Group plans to issue additional equity securities, to raise further working capital. The Directors are confident the Group will be successful in sourcing further capital to fund the ongoing operations of the Group.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

**Krakatoa Resources Limited  
& Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**Accounting Policies**

In the current reporting period the accounting policy for reporting and disclosing exploration and evaluation expenditure has changed. All exploration and evaluation expenditure is now expensed as incurred in accordance with the following disclosure.

The Directors have determined that the change in accounting policy will result in more relevant and no less reliable information as the policy is more transparent and less subjective. Recognition criteria of exploration and evaluation assets are inherently uncertain and expensing as incurred results in a more transparent Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss and Other Comprehensive Income. Furthermore, the change in policy aids in accountability of line management's expenditures and the newly adopted policy is consistent with industry practice worldwide.

The change in policy is irrespective of whether or not the Board believe expenditure could be recouped from either a successful development and commercial exploitation or sale of the respective assets.

	<b>Restated 30 June 2018 \$</b>	<b>Change \$</b>	<b>Previously Reported 30 June 2018 \$</b>
<i>Consolidated Statement of Profit or Loss</i>			
Exploration expenditure	(401,068)	(322,375)	(78,693)
Loss attributable to owners	(1,122,557)	(322,375)	(800,182)
Basic loss per share (cents)	(1.08)	(0.31)	(0.77)
 <i>Consolidated Statement of Financial Position</i>			
Exploration and evaluation expenditure	-	(933,126)	933,126
Accumulated losses	(10,008,044)	(933,126)	(9,074,918)

**Krakatoa Resources Limited  
& Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

	Restated 30 June 2017 \$	Change \$	Previously Reported 30 June 2017 \$
<i>Consolidated Statement of Profit or Loss</i>			
Exploration expenditure	(1,064,127)	(60,751)	(1,003,376)
Loss attributable to owners	(1,712,265)	(60,751)	(1,651,514)
Basic loss per share (cents)	(2.61)	(0.02)	(2.59)
<i>Consolidated Statement of Financial Position</i>			
Exploration and evaluation expenditure	-	(610,751)	610,751
Accumulated losses	(8,885,487)	(610,751)	(8,274,736)

**a) Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries).

Income and expense of subsidiaries acquired or disposed of during the year are included in profit or loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Krakatoa Resources Limited  
& Controlled Entities**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**b) Income Tax**

The income tax expense (revenue) for the period comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well unused tax losses. Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**Krakatoa Resources Limited  
& Controlled Entities**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**c) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure, including the costs of acquiring tenements, are expensed as incurred. Expensing exploration and evaluation expenditure as incurred is irrespective of whether or not the Board believe expenditure could be recouped from either a successful development and commercial exploitation or sale of the respective assets.

**d) Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

*Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

*Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

*Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

## **Krakatoa Resources Limited & Controlled Entities**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

##### **e) Foreign Currencies**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('\$'), which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.



**Krakatoa Resources Limited  
& Controlled Entities**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**f) Impairment of Assets**

At the end of each reporting date, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed.

Impairment testing is performed annually for intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**g) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less.

**h) Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST").

**i) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**j) Trade and other receivables**

All trade receivables are recognised when they are due for settlement in the short term. Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

**k) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group before the end of the financial period and which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

**l) Issued capital**

Ordinary shares are classified as equity. Costs directly attributable to the issue of shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

**Krakatoa Resources Limited  
& Controlled Entities**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**m) Earnings per share**

*Basic earnings per share*

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**n) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**o) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**Share-based payment transactions**

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a valuation model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

**p) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

**Krakatoa Resources Limited**  
**& Controlled Entities**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

**q) Application of new or amended Accounting Standards and Interpretations**

*New or amended Accounting Standards and Interpretations adopted*

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

*Accounting Standards issued but not yet effective and not been adopted early by the Company*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2019. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below:

*AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16.

For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Company will adopt this standard from 1 July 2019 and the impact of its adoption is expected to be insignificant.

**Krakatoa Resources Limited  
& Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 2: REVENUE</b>		
Interest received	-	5,606

	<b>2019</b>	<b>Restated 2018</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 3: INCOME TAX EXPENSE</b>		
<b>a. Reconciliation of income tax expense to prima facie tax payable:</b>		
Loss from ordinary activities before income tax expense	(739,390)	(1,122,557)
Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% (2018: 27.5%)	(203,332)	(308,703)
Increase/(decrease) in income tax due to:		
- Capital raising costs	(91,006)	(91,987)
- Losses and temporary differences not recognised	294,338	400,690
Income tax attributable to the Group	-	-

**b. Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 27.5% (2018: 27.5%):**

**Deferred tax assets have not been recognised in respect of the following:**

Tax revenue losses	6,670,797	6,376,459
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Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2019 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss and exploration expenditure.

**Krakatoa Resources Limited  
& Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2019</b>	<b>Restated 2018</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 4: EARNINGS PER SHARE</b>		
Loss used to calculate basic EPS	(739,390)	(1,122,557)
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares outstanding during the period used in calculating basic and diluted EPS	117,787,671	103,575,342
	<b>Cents</b>	<b>Cents</b>
Basic and diluted EPS	(0.63)	(1.08)

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 5: CASH AND CASH EQUIVALENTS</b>		
Cash at bank	407,285	685,709
Term deposits	-	-
	407,285	685,709

<b>NOTE 6: TRADE AND OTHER RECEIVABLES</b>		
GST receivable	12,117	11,958
Other assets	10,109	-
	22,226	11,958

*Allowance for expected credit losses*

The consolidated entity has not recognised a loss in respect of the expected credit losses for the year ended 30 June 2019.

<b>NOTE 7: REMUNERATION OF AUDITORS</b>		
Audit Services – RSM Australia Partners	27,500	24,200
	27,500	24,200

<b>NOTE 8: TRADE AND OTHER PAYABLES</b>		
Trade payables and accrued expenses	178,744	67,444

Trade creditors, excluding related party payables, are expected to be paid on 30 day terms.

**Krakatoa Resources Limited  
& Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 9: ISSUED CAPITAL**

	<b>2019 No.</b>	<b>2019 \$</b>	<b>2018 No.</b>	<b>2018 \$</b>
Fully paid ordinary shares with no par value	135,000,000	9,453,316	117,500,000	9,093,382
<b>a) Ordinary shares</b>				
At the beginning of reporting period	117,500,000	9,093,382	100,000,000	8,509,736
<b>Shares issued during the year:</b>				
- 9 April 2018	-	-	15,000,000	525,000
- 31 May 2018	-	-	2,500,000	87,500
- 24 June 2019 (i)	17,500,000	385,000	-	-
Less capital raising costs		(25,066)	-	(28,854)
Net share capital	135,000,000	9,453,316	117,500,000	9,093,382

(i) Placement of 17,500,000 shares at \$0.022 per share to raise \$385,000.

**b) Capital risk management**

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. The Group's capital includes ordinary share capital and financial liabilities, supported by financial assets.

Due to the nature of the Group's activities, being mineral exploration, it does not have ready access to credit facilities, with the primary source of funding being equity raisings. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The Group is not subject to any externally imposed capital requirements.

	<b>2019 \$</b>	<b>2018 \$</b>
Cash and cash equivalents	407,285	685,709
Trade and other receivables	22,226	11,958
Trade and other payables	(178,744)	(67,444)
Working capital position	250,767	630,223

**Krakatoa Resources Limited  
& Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 10: RESERVES**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Option premium reserve</b>		
Opening balance	1,544,885	1,307,885
Options issued – share based payments	-	237,000
Closing balance	<u>1,544,885</u>	<u>1,544,885</u>
 Total Reserves	 <u><b>1,544,885</b></u>	 <u><b>1,544,885</b></u>

**Option premium reserve**

The Option premium reserve is used to recognise the fair value of options issued but not exercised.

	<b>2019</b>	<b>Restated</b>
	<b>\$</b>	<b>2018</b>
		<b>\$</b>
<b>NOTE 11: RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH LOSS AFTER INCOME TAX</b>		
Loss after income tax	(739,390)	(1,122,557)
Non cash-flows in loss:		
Share based payments	-	222,000
Changes in assets and liabilities:		
Trade and other receivables	(159)	(3,379)
Exploration expenditure		152,501
Other assets	(10,109)	-
Trade payables and accruals	91,640	18,463
Cash flow used in operations	<u>(658,018)</u>	<u>(732,972)</u>

**Non Cash Investing & Financing Activities:**

There were no non-cash investing entered into by the Group during the year (2018: Nil).

**Krakatoa Resources Limited  
& Controlled Entities**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 12: KEY MANAGEMENT PERSONNEL COMPENSATION**

**Remuneration of Key Management Personnel**

The totals of remuneration paid to the KMP of the Group during the year are as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	184,000	202,167
Post-employment benefits	5,700	5,510
Share based payments	-	210,000
	<hr/>	<hr/>
Total remuneration	<u>189,700</u>	<u>417,677</u>

**NOTE 13: RELATED PARTY TRANSACTIONS**

During the year ended 30 June 2019, Barclay Wells Limited, an entity which Timothy Hogan is a director, invoiced for brokerage of \$8,520 plus GST on \$142,000 raised in the share placement completed on 24 June 2019. The amount was outstanding at 30 June 2019.

All related party transactions are made on normal commercial terms and condition and at market rates.

**NOTE 14: CONTINGENT LIABILITIES**

The Group has no contingent liabilities as at 30 June 2019 (2018: Nil).

**NOTE 15: EVENTS AFTER THE REPORTING PERIOD**

On 28 August 2019, the Company issued total of 75,000,000 options exercisable at \$0.05 on or before 31 July 2021, to raise gross proceeds of \$75,000.

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

**NOTE 16: COMMITMENTS**

In order to maintain current rights of tenure to Western Australia exploration tenements, the Group is required to perform minimum exploration requirements specified by the Department of Mines and Petroleum of \$42,440 (2018: \$46,837).

In order to maintain current rights of tenure to the Canadian exploration tenements, the Group is required to perform minimum exploration requirements specified by the Ministry of Energy, Northern Development and Mines of \$12,600.

The Group has no other commitments.



**Krakatoa Resources Limited  
& Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 17: CONTROLLED ENTITIES**

	Country of Incorporation	Equity Holding	Equity Holding
		2019	2018
		%	%
Subsidiaries of Krakatoa Resources Ltd:			
Krakatoa Minerals Pty Ltd	Australia	100	100
Krakatoa Minerals – SMC Limited	Uganda	100	100
2634501 Ontario Limited	Canada	100	100

**NOTE 18: PARENT ENTITY DISCLOSURES**

**Financial position**

	2019	Restated 2018
	\$	\$
<b>Assets</b>		
Current assets	429,511	697,667
Non-current assets	-	-
Total assets	<u>429,511</u>	<u>697,667</u>
<b>Liabilities</b>		
Current liabilities	178,744	67,444
Total liabilities	<u>178,744</u>	<u>67,444</u>
<b>Equity</b>		
Issued capital	9,453,316	9,093,382
Accumulated losses	(10,747,434)	(10,008,044)
Reserves	1,544,885	1,544,885
Total equity	<u>250,767</u>	<u>630,223</u>
<b>Financial performance</b>		
(Loss) for the year	<u>(739,390)</u>	<u>(1,122,557)</u>
Total comprehensive (loss) for the year	<u>(739,390)</u>	<u>(1,122,557)</u>

**Guarantees:**

Krakatoa Resources Limited has not entered into any guarantees in the current or previous financial year, in relation to the debts of its subsidiaries.

**Other Commitments and Contingencies:**

Krakatoa Resources Limited has no commitment to acquire property, plant and equipment and has no contingent liabilities (Note 14).

## **Krakatoa Resources Limited & Controlled Entities**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

#### **NOTE 19: OPERATING SEGMENTS**

The Group has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the phase of operation within the mining industry. For management purposes, the Group has organised its operations into two reportable segments on the basis of stage of development as follows:

- Development assets; and
- Exploration and evaluation assets, which includes assets that are associated with the determination and assessment of the existence of commercial economic reserves.

The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

During the year ended 30 June 2019, the Group had no development assets. The Board considers that it has only operated in one segment, being mineral exploration.

The Group is domiciled in Australia. All revenue from external customers are only generated from Australia. No revenues were derived from a single external customer.

#### **NOTE 20: FINANCIAL RISK MANAGEMENT**

The Group has exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

##### **Credit risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions is spread amongst approved counterparties.

Credit risk related to balances with banks and other financial institutions is managed by the board. The board's policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-. All of the Group's surplus funds are invested with AA Rated financial institutions.

**Krakatoa Resources Limited  
& Controlled Entities**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 20: FINANCIAL RISK MANAGEMENT (CONT.)**

The credit risk for counterparties included in cash and cash equivalents at 30 June 2019 is detailed below:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets:</b>		
Cash and cash equivalents		
- AA rated counterparties	407,285	685,709

The Group does not have any material credit risk exposure to any single receivable or Group of receivables under financial instruments entered into by the Group.

**Liquidity risk**

The responsibility with liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate working capital is maintained. The Group's policy is to ensure that it has sufficient cash reserves to carry out its planned exploration activities over the next 12 months.

**Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

**Interest rate risk**

The Group does not have any exposure to interest rate risk as there were no external borrowings at 30 June 2019 (2018: nil). Interest bearing assets are all short term liquid assets and the only interest rate risk is the effect on interest income by movements in the interest rate. There is no other material interest rate risk.

## Krakatoa Resources Limited & Controlled Entities

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### DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Krakatoa Resources, I state that:

1. In the opinion of the directors:

- (a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the financial position of the Group as at 30 June 2019 and of its performance for the year ended on that date; and
    - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
  - (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.
2. This declaration has been made after receiving the declarations required to be made by the directors in accordance with sections of 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

On behalf of the Board



Colin Locke  
Executive Chairman

Dated: 19 September 2019

**RSM Australia Partners**

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
KRAKATOA RESOURCES LIMITED**

**Opinion**

We have audited the financial report of Krakatoa Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$739,390 and net cash outflows from operating activities of \$658,018 for the year ended 30 June 2019. As at that date the Group had net current assets of \$250,767. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
<p><b><i>Change in accounting policy, exploration and evaluation expenditure</i></b>            Refer to Note 1 (Change in Accounting Policy – Exploration and evaluation expenditure)</p>	
<p>The Group has adopted a change in accounting policy with respect to the recognition of exploration and evaluation expenditure. The impact of the adoption has resulted in a restatement of prior year balances in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.</p> <p>We determined this to be a key audit matter as it represents a material change in accounting policy and the significance of the impact on:</p> <ul style="list-style-type: none"> <li>• the statement of profit or loss and other comprehensive income,</li> <li>• the statement of financial position; and</li> <li>• the statement of change in equity</li> </ul> <p>The matter also requires management judgment involved is respect of determining whether the change in accounting policy results in the financial statements providing reliable and relevant information about the effects of the accounting policy change.</p>	<p>Our audit procedures in relation to the change in accounting policy included:</p> <ul style="list-style-type: none"> <li>• Enquiring with management on the basis for applying the accounting policy change; and</li> <li>• Assessing whether the disclosures within the financial statements are appropriate in accordance with the requirements of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.</li> </ul>

## **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Krakatoa Resources Limited, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM  
RSM AUSTRALIA PARTNERS

  
ALASDAIR WHYTE  
Partner

Perth, WA  
Dated: 19 September 2019



## Krakatoa Resources Limited & Controlled Entities

### CORPORATE GOVERNANCE STATEMENT

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has considered the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Recommendations*.

In line with the above, the Board has set out the way forward for the Company in its implementation of its Principles of Good Corporate Governance and Recommendations. The approach taken by the board was to set a blueprint for the Company to follow as it introduces elements of the governance process. Due to the current size of the Company and the scale of its operations it is neither practical nor economic for the adoption of all of the recommendations approved via the board charter. Where the Company has not adhered to the recommendations it has stated that fact in this Corporate Governance Statement however has set out a mandate for future compliance when the size of the Company and the scale of its operations warrants the introduction of those recommendations. Date of last review and Board approval: 19 September 2019.

Principle / Recommendation	Compliance	Reference	Commentary
<b>Principle 1: Lay solid foundations for management and oversight</b>			
<u>Recommendation 1.1</u> A listed entity should disclose: <ul style="list-style-type: none"> <li>a) the respective roles and responsibilities of its board and management; and</li> <li>b) those matters expressly reserved to the board and those delegated to management.</li> </ul>	Yes	Board Charter Code of Conduct, Independent Professional Advice Policy, Website	<p>To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment. The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out those delegated duties.</p> <p>In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company. To assist the Board carry its functions, it has developed a Code of</p>

**Krakatoa Resources Limited  
& Controlled Entities**

		<p>Conduct to guide the Directors.</p> <p>In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.</p> <p>Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:</p> <ul style="list-style-type: none"> <li>• Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.</li> <li>• Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.</li> <li>• Overseeing Planning Activities: the development of the Company's strategic plan.</li> <li>• Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company as well as ensuring timely and balanced disclosures of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the entity's securities.</li> <li>• Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.</li> <li>• Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting along with ensuring the integrity of the Company's financial and other reporting.</li> <li>• Human Resources: reviewing the</li> </ul>
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**Krakatoa Resources Limited  
& Controlled Entities**

			<p>performance of Executive Officers and monitoring the performance of senior management in their implementation of the Company's strategy.</p> <ul style="list-style-type: none"> <li>• Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.</li> <li>• Delegation of Authority: delegating appropriate powers to the Managing Director to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.</li> <li>• Monitoring the effectiveness of the Company's corporate governance practices.</li> </ul> <p>Full details of the Board's and Company Secretary's roles and responsibilities are contained in the Board Charter. The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, (that limit is currently set at \$2,000), to assist them to carry out their responsibilities.</p>
<p><u>Recommendation 1.2</u> A listed entity should:</p> <ol style="list-style-type: none"> <li>a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</li> <li>b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re- elect a director.</li> </ol>	<p>Yes</p>	<p>Director Selection Procedure, Website</p>	<p>Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's operations. The Company's current Directors all have relevant experience in the operations. In addition, Directors should have the relevant blend of personal experience in:</p> <ul style="list-style-type: none"> <li>• Accounting and financial management; and</li> <li>• Director-level business experience.</li> </ul> <p>Each member of the Board is committed to spending sufficient time to enable them to carry out their duties</p>

**Krakatoa Resources Limited  
& Controlled Entities**

		<p>as a Director of the Company.</p> <p>In determining candidates for the Board, the Nomination Committee (refer to recommendation 2.1) follows a prescribed process whereby it evaluates the mix of skills, experience and expertise of the existing Board. In particular, the Nomination Committee is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.</p> <p>The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting and re-appointment of directors is not automatic.</p> <p>The Nomination Committee is responsible for implementing a program to identify, assess and enhance Director competencies. In addition, the Nomination Committee puts in place succession plans to ensure an appropriate mix of skills, experience, expertise and diversity are maintained on the Board.</p>
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**Krakatoa Resources Limited  
& Controlled Entities**

<p><u>Recommendation 1.3</u> A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>Yes</p>	<p>Kept at registered office, Independent Professional Advice Policy</p>	<p>Each non-executive director has a written agreement with the Company that covers all aspects of their appointment including term, time commitment required, remuneration, disclosure of interests that may affect independence, guidance on complying with the Company's corporate governance policies and the right to seek independent advice, indemnity and insurance arrangements, rights of access to the Company's information and ongoing confidentiality obligations as well as roles on the Company's committees.</p> <p>Each executive director's agreement with the Company includes the same details as the non-executive directors' agreements but also includes a position description, reporting hierarchy and termination clauses.</p> <p>To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice (that limit is currently set at \$2,000).</p>
<p><u>Recommendation 1.4</u> The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>Yes</p>	<p>Board Charter, Website</p>	<p>Full details of the Board's and Company Secretary's roles and responsibilities are contained in the Board Charter.</p>
<p><u>Recommendation 1.5</u> A listed entity should: a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess</p>	<p>Yes</p>	<p>Diversity Policy, Website</p>	<p>The Company recognises and respects the value of diversity at all levels of the organisation. The Company is committed to setting measurable objectives for attracting and engaging women at the Board level, in senior management and across the whole organisation.</p> <p>The Diversity Policy was re-adopted during the year and the Company set</p>

**Krakatoa Resources Limited  
& Controlled Entities**

<p>annually both the objectives and the entity's progress in achieving them;</p> <p>b) disclose that policy or a summary of it; and</p> <p>c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <p>1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>			<p>the following objectives for the employment of women:</p> <ul style="list-style-type: none"> <li>• to the Board – no target set</li> <li>• to senior management (including Company Secretary) – 20%</li> <li>• to the organisation as a whole – 20%</li> </ul> <p>As at the date of this report, the Company has the following proportion of women appointed:</p> <ul style="list-style-type: none"> <li>• to the Board – 0%</li> <li>• to senior management (including Company Secretary) – 0%</li> <li>• to the organisation as a whole – 25%</li> </ul> <p>The Company recognises that the mining and exploration industry is intrinsically male dominated in many of the operational sectors and the pool of women with appropriate skills will be limited in some instances. The Company recognises that diversity extends to matters of age, disability, ethnicity, marital/family status, religious/cultural background and sexual orientation. Where possible, the Company will seek to identify suitable candidates for positions from a diverse pool.</p>
<p><u>Recommendation 1.6:</u> A listed entity should:</p> <p>a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>b) disclose, in relation to each reporting period, whether a performance</p>	<p>Yes</p>	<p>Board , Committee &amp; Individuals Performance Evaluation Procedure Website</p>	<p>It is the policy of the Board to conduct evaluation of its performance. The objective of this evaluation is to provide best practice corporate governance to the Company. During the financial year an evaluation of the performance of the Board and its members was not formally carried out. However, a general review of the Board and executives occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place.</p>

**Krakatoa Resources Limited  
& Controlled Entities**

evaluation was undertaken in the reporting period in accordance with that process.			
<p><b>Recommendation 1.7:</b> A listed entity should:</p> <p>a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Yes	Board , Committee & Individuals Performance Evaluation Procedure, Website	It is the policy of the Board to conduct evaluation of individuals' performance. The objective of this evaluation is to provide best practice corporate governance to the Company. During the financial year an evaluation of the performance of the individuals was not formally carried out. However, a general review of the individuals occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place.
<b>Principle 2: Structure the board to add value</b>			
<p><b>Recommendation 2.1</b> The Board of a listed entity should:</p> <p>a) have a nomination committee which:</p> <ol style="list-style-type: none"> <li>1) has at least three members, a majority of whom are independent directors; and</li> <li>2) is chaired by an independent director, and disclose:</li> <li>3) the charter of the committee;</li> <li>4) the members of the committee; and</li> <li>5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>b) if it does not have a nomination committee, disclose that fact and the</p>	No	Nomination Committee Charter, Independent Professional Advice Policy Website	<p>The full Board performs the role of Nomination Committee. The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times. The Nomination Committee did not meet during the year ended 30 June 2019.</p> <p>The responsibilities of a Nomination Committee would include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also oversees management succession plans including the Executive Director and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Matters such as remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice are clearly understood by all Directors, who are experienced public company Directors. The Board collectively and each Director has the right to seek</p>



**Krakatoa Resources Limited  
& Controlled Entities**

<p>processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>			<p>independent professional advice at the Company's expense, up to specified limits, (that limit is currently set at \$2,000), to assist them to carry out their responsibilities.</p>
<p><u>Recommendation 2.2</u> A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>Yes</p>	<p>Kept at registered office</p>	<p>The Company has reviewed the skill set of its Board to determine where the skills lie and any relevant gaps in skills shortages. The Company is working through professional development initiatives as well as seeking to identify suitable Board candidates for positions from a diverse pool.</p>
<p><u>Recommendation 2.3</u> A listed entity should disclose:</p> <p>a) the names of the directors considered by the board to be independent directors;</p> <p>b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>c) the length of service of each director.</p>	<p>Yes</p>	<p>Board Charter, Independence of Directors Assessment Website</p>	<p>The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. An Independent Director:</p> <ol style="list-style-type: none"> <li>1. is a Non-Executive Director and;</li> <li>2. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;</li> <li>3. within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;</li> <li>4. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;</li> <li>5. is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;</li> <li>6. has no material contractual relationship with the Company or other group member other than as a Director of the Company;</li> <li>7. has not served on the Board for a period which could, or could</li> </ol>



**Krakatoa Resources Limited  
& Controlled Entities**

			<p>reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and</p> <p>8. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.</p> <p>Materiality for the purposes of points 1 to 8 above is determined on the basis of both quantitative and qualitative aspects with regard to the independence of Directors. An amount over 5% of the Company's expenditure or 10% of the particular directors annual gross income is considered to be material. A period of more than six years as a Director would be considered material when assessing independence.</p> <p>Colin Locke (appointed 6 August 2015) is an Executive Director of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.</p> <p>Timothy Hogan (appointed 7 October 2015) is a Non-Executive Director of the Company and meets the Company's criteria for independence.</p> <p>David Palumbo (appointed 7 August 2017) is a Non-Executive Director of the Company and meets the Company's criteria for independence.</p>
<p><u>Recommendation 2.4</u> A majority of the board of a listed entity should be independent directors.</p>	Yes	Independence of Directors Assessment, Website	2 out of 3 directors are independent.
<p><u>Recommendation 2.5</u> The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	No	Independence of Directors Assessment, Website	The Chairperson is not an independent Director and is not the CEO / Managing Director. The Company is continually evaluating and reviewing the Board structure.

**Krakatoa Resources Limited  
& Controlled Entities**

<p><u>Recommendation 2.6</u> A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>Yes</p>	<p>Director Induction Program, Ongoing Education Framework, Website</p>	<p>It is the policy of the Company that each new Director undergoes an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:</p> <ul style="list-style-type: none"> <li>• details of the roles and responsibilities of a Director;</li> <li>• formal policies on Director appointment as well as conduct and contribution expectations;</li> <li>• a copy of the Corporate Governance Statement, Charters, Policies and Memos and</li> <li>• a copy of the Constitution of the Company.</li> </ul> <p>In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. The Board has implemented an Ongoing Education Framework.</p>
<p><b>Principle 3: Act ethically and responsibly</b></p>			
<p><u>Recommendation 3.1</u> A listed entity should: a) have a code of conduct for its directors, senior executives and employees; and b) disclose that code or a summary of it.</p>	<p>Yes</p>	<p>Code of Conduct Website</p>	<p>As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole.</p>
<p><b>Principle 4: Safeguard integrity in corporate reporting</b></p>			
<p><u>Recommendation 4.1</u> The board of a listed entity should: (a) have an audit committee which: a) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 1) is chaired by an independent</p>	<p>No</p>	<p>Audit Committee Charter, Website</p>	<p>Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Audit Committee. Accordingly, the Board performs the role of Audit Committee.</p> <p>Items that are usually required to be discussed by an Audit Committee are discussed at a separate meeting when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated to it in the Company's Audit Committee</p>

**Krakatoa Resources Limited  
& Controlled Entities**

<p>director, who is not the chair of the board, and disclose:</p> <ol style="list-style-type: none"> <li>2) the charter of the committee;</li> <li>3) the relevant qualifications and experience of the members of the committee; and</li> <li>5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>			<p>Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions.</p> <p>The Board did not meet as the Audit Committee during the year. To assist the Board to fulfil its function as the Audit Committee, the Company has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee. All of the Directors consider themselves to be financially literate and possess relevant industry experience.</p> <p>The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.</p>
<p><u>Recommendation 4.2</u> The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate</p>	<p>Yes</p>	<p>Kept at registered office</p>	<p>The Executive Director (Executive Chairman) and Company Secretary (Chief Financial Officer) provide a declaration to the Board in accordance with section 295A of the Corporations Act for each financial report and assure the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.</p>

**Krakatoa Resources Limited  
& Controlled Entities**

accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.			
<u>Recommendation 4.3</u> A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	AGM	The external auditor is required to attend every AGM for the purpose of answering questions from security holders relevant to the audit.
<b>Principle 5: Make timely and balanced disclosure</b>			
<u>Recommendation 5.1</u> A listed entity should: <ol style="list-style-type: none"> <li>a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</li> <li>b) disclose that policy or a summary of it.</li> </ol>	Yes	Continuous Disclosure Policy, Website	The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information: <ol style="list-style-type: none"> <li>1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and</li> <li>2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.</li> </ol>
<b>Principle 6: Respect the rights of security holders</b>			
<u>Recommendation 6.1</u> A listed entity should provide information about itself and its governance to investors via its website.	Yes	Website Disclosure Policy, Website	The Company's website includes the following: <ul style="list-style-type: none"> <li>• Corporate Governance policies, procedures, charters, programs, assessments, codes and frameworks</li> <li>• Names and biographical details of each of its directors and senior executives</li> <li>• Constitution</li> <li>• Copies of annual, half yearly and quarterly reports</li> <li>• ASX announcements</li> </ul>

**Krakatoa Resources Limited  
& Controlled Entities**

			<ul style="list-style-type: none"> <li>• Copies of notices of meetings of security holders</li> <li>• Media releases</li> <li>• Overview of the Company's current business, structure and history</li> <li>• Details of upcoming meetings of security holders</li> <li>• Summary of the terms of the securities on issue</li> <li>• Historical market price information of the securities on issue</li> <li>• Contact details for the share registry and media enquiries</li> <li>• Share registry key security holder forms</li> </ul>
<p><u>Recommendation 6.2</u> A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	Yes	Shareholder Communication Policy, Social Media Policy Website	<p>The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:</p> <ul style="list-style-type: none"> <li>• communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;</li> <li>• giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;</li> <li>• requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report of future Annual Reports.</li> </ul> <p>The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.</p>
<p><u>Recommendation 6.3</u> A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	Yes	Shareholder Communication Policy Website	<p>The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to making it easy for shareholders to participate in shareholder meetings of the Company.</p>
<p><u>Recommendation 6.4</u> A listed entity should give security holders the option to receive</p>	Yes	Shareholder Communication Policy Website	<p>Shareholders are regularly given the opportunity to receive communications electronically.</p>

**Krakatoa Resources Limited  
& Controlled Entities**

communications from and send communications to, the entity and its security registry electronically.			
<b>Principle 7: Recognise and manage risk</b>			
<p><u>Recommendation 7.1</u></p> <p>The board of a listed entity should:</p> <p>a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> <li>1) has at least three members, a majority of whom are independent directors; and</li> <li>2) is chaired by an independent director, and disclose:</li> <li>3) the charter of the committee;</li> <li>4) the members of the committee; and</li> <li>5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	No	Risk Management Policy Website	<p>The Board has not established a separate Risk Committee, and therefore it is not structured in accordance with Recommendation 7.1. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Risk Committee. Accordingly, the Board performs the role of Risk Committee. Items that are usually required to be discussed by a Risk Committee are discussed at a separate meeting when required. When the Board convenes as the Risk Committee it carries out those functions which are delegated to it in the Company's Risk Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Risk Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions.</p> <p>The Board as a whole did not meet as the Risk Committee during the year. Risk identification and risk management discussions occurred during the year. To assist the Board to fulfil its function as the Risk Committee, the Company has adopted a Risk Management Policy.</p>
<p><u>Recommendation 7.2</u></p> <p>The board or a committee of the board should:</p> <p>a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p>	Yes	Risk Management Policy Website	<p>The Company's Risk Management Policy states that the Board as a whole is responsible for the oversight of the Company's risk management and control framework. The objectives of the Company's Risk Management Strategy are to:</p> <ul style="list-style-type: none"> <li>• identify risks to the Company;</li> <li>• balance risk to reward;</li> </ul>

**Krakatoa Resources Limited  
& Controlled Entities**

<p>b) disclose, in relation to each reporting period, whether such a review has taken place.</p>			<ul style="list-style-type: none"> <li>• ensure regulatory compliance is achieved; and</li> <li>• ensure senior executives, the Board and investors understand the risk profile of the Company.</li> </ul> <p>The Board monitors risk through various arrangements including:</p> <ul style="list-style-type: none"> <li>• regular Board meetings;</li> <li>• share price monitoring;</li> <li>• market monitoring; and</li> <li>• regular review of financial position and operations.</li> </ul> <p>The Company has developed a Risk Register in order to assist with the risk management of the Company. The Company's Risk Management Policy is considered a sound strategy for addressing and managing risk. During the year, the Board reviewed the following categories of risks affecting the Company as part of the Company's systems and processes for managing material business risks: operational, financial reporting, sovereignty and market-related risks.</p>
<p><u>Recommendation 7.3</u> A listed entity should disclose:</p> <p>a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>No</p>	<p>Audit Committee Charter Website</p>	<p>The Board performs the role of Audit Committee. When the Board convenes as the Audit Committee it carries out those functions which are delegated to it in the Company's Audit Committee Charter which include overseeing the establishment and implementation by management of a system for identifying, assessing, monitoring and managing material risk throughout the Company, which includes the Company's internal compliance and control systems.</p> <p>Due to the nature and size of the Company's operations, and the Company's ability to derive substantially all of the benefits of an independent internal audit function, the expense of an independent internal auditor is not considered to be appropriate.</p>
<p><u>Recommendation 7.4</u> A listed entity should disclose whether it has any material exposure to economic, environmental</p>	<p>Yes</p>	<p>Corporate Governance Statement</p>	<p>The Company has considered its economic, environmental and social sustainability risks by way of internal review and has concluded that it is not subject to material economic,</p>



**Krakatoa Resources Limited  
& Controlled Entities**

and social sustainability risks and, if it does, how it manages or intends to manage those risks.			environmental and social sustainability risks.
<b>Principle 8: Remunerate fairly and responsibly</b>			
<p><u>Recommendation 8.1</u> The board of a listed entity should:</p> <p>a) have a remuneration committee which:</p> <ol style="list-style-type: none"> <li>1) has at least three members, a majority of whom are independent directors; and</li> <li>2) is chaired by an independent director, and disclose:</li> <li>3) the charter of the committee;</li> <li>4) the members of the committee; and</li> <li>5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	No	Remuneration Committee Charter, Independent Professional Advice Policy Website	<p>The Board performs the role of Remuneration Committee. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated to it in the Company's Remuneration Committee Charter.</p> <p>The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees. The Remuneration Committee did not meet during the financial year ended 30 June 2018.</p> <p>The responsibilities of a Remuneration Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Executive Director, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors, recommendations for remuneration by gender and making recommendations on any proposed changes and undertaking reviews of the Managing Director's performance, including, setting with the Executive Director goals and reviewing progress in achieving those goals. The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, (that limit is currently set at \$2,000), to assist them to carry out their responsibilities.</p>
<p><u>Recommendation 8.2</u> A listed entity should separately disclose its policies and practices regarding the remuneration of non-</p>	Yes	Remuneration Policy Website	Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Executive Director remuneration is set by the



**Krakatoa Resources Limited  
& Controlled Entities**

<p>executive directors and the remuneration of executive directors and other senior executives.</p>			<p>Board with the executive director in question not present. Full details regarding the remuneration of Directors has been included in the Remuneration Report within the Annual Report.</p>
<p><u>Recommendation 8.3</u> A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none"> <li>a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</li> <li>b) disclose that policy or a summary of it.</li> </ul>	<p>Yes</p>	<p>Remuneration Policy Website</p>	<p>Executives and Non-Executive Directors are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.</p>

**Krakatoa Resources Limited  
& Controlled Entities**

**ASX INFORMATION  
AS AT 6 SEPTEMBER 2019**

The following additional information is required by the ASX Limited in respect of listed public companies and was applicable at 6 September 2019.

**1. Shareholder and Option holder information**

a. Number of Shareholders and Option Holders

*Shares*

As at 6 September 2019, there were 709 shareholders holding a total of 135,000,000 fully paid ordinary shares.

*Options*

As at 6 September 2019, there were 75,000,000 Quoted Options exercisable at \$0.05 on or before 31 July 2021 held by 141 holders.

As at 6 September 2019, there were 12,000,000 Unquoted Options exercisable at \$0.10 on or before 24 October 2020 held by 4 holders and 10,893,878 Unquoted Options exercisable at \$0.40 on or before 12 December 2019 held by 14 holders.

b. Distribution of Equity Securities

<b>Fully paid ordinary shares</b>	<b>Number (as at 6 September 2019)</b>	
	<b>Shareholders</b>	<b>Ordinary Shares</b>
<b>Category (size of holding)</b>		
1 – 1,000	36	4,122
1,001 – 5,000	9	31,003
5,001 – 10,000	84	804,421
10,001 – 100,000	355	16,708,459
100,001 – and over	225	117,451,995
	709	135,000,000

The number of shareholdings held in less than marketable parcels is 209 shareholders amounting to 2,144,600 shares.

<b>Quoted \$0.05 options</b>	<b>Number (as at 6 September 2019)</b>	
	<b>Shareholders</b>	<b>Options</b>
<b>Category (size of holding)</b>		
1 – 1,000	-	-
1,001 – 5,000	9	45,000
5,001 – 10,000	1	8,334
10,001 – 100,000	55	3,135,012
100,001 – and over	76	71,811,654
	141	75,000,000

The number of option holdings held in less than marketable parcels is 10 option holders amounting to 53,334 options.

**Krakatoa Resources Limited  
& Controlled Entities**

- c. The names of substantial shareholders listed in the company's register as at 6 September 2019 are:

Shareholder	Ordinary Shares	%Held of Total Ordinary Shares
Lafras Luitingh	10,400,000	7.70%

- d. Voting Rights

The voting rights attached to the ordinary shares are as follows:

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

- e. 20 Largest Shareholders as at 6 September 2019 — Ordinary Shares

	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. MR LAFRAS LUITINGH	10,400,000	7.70
2. MR DAVID ALAN CANDLER	6,000,000	4.44
3. MR BIN LIU	3,642,562	2.70
4. PROF YEW KWANG NG	2,550,000	1.89
5. EST MR MARTIN GREGORY KUHN	2,308,941	1.71
6. ST BARNABAS INVESTMENTS PTY LTD <THE MELVISTA FAMILY A/C>	2,300,000	1.70
7. MR JOHN COLIN LOOSEMORE + MS SUSAN MARJORY LOOSEMORE <LOOSEMORE SUPER FUND A/C>	2,000,001	1.48
8. DR TONY CREA + MRS GINA CREA <THE CREA SUPERANNUATION A/C>	2,000,000	1.48
9. CV INDO PROJECT SERVICESIC	1,875,000	1.39
10. CV JAVA HOLDINGSIC	1,875,000	1.39
11. MR KONG HOCK TAN + MRS MARY MENG MAY ANG	1,755,898	1.30
12. E C DAWSON SUPER PTY LTD <THE DAWSON SUPER FUND A/C>	1,706,000	1.26
13. OCEANIC CAPITAL PTY LTD	1,500,001	1.11
14. MR THOMAS FRANCIS CORR	1,499,300	1.11
15. MR JOHN ROBERT TYRRELL + MS CLAIRE KATHERINE TYRRELL <THE TYRRELL SUPER FUND A/C>	1,450,000	1.07
16. R C FISHING PTY LTD	1,437,077	1.06
17. MS CHUNYAN NIU + MS RAN LI	1,428,572	1.06
18. MS SALLY JUDITH MOLYNEUX	1,400,000	1.04
19. MRS TING TING XUE LUU	1,335,600	0.99
20. MR RICHARD FREDERICK STANGER	1,272,727	0.94
	<b>49,736,679</b>	<b>36.84</b>

**Krakatoa Resources Limited  
& Controlled Entities**

f. 20 Largest Quoted \$0.05 Option Holders as at 6 September 2019

	<b>Number of Ordinary Fully Paid Shares Held</b>	<b>% Held of Issued Ordinary Capital</b>
1. MR TIMOTHY HOGAN	6,000,000	8.00
2. MR GREGORY PETER PLUMB	4,500,000	6.00
3. MR COLIN LOCKE	4,000,000	5.33
4. SOPRANO INVESTMENTS (WA) PTY LTD <MJ MARANO SUPER FUND A/C>	3,108,500	4.14
5. MR COLIN KENNETH LOCKE <C LOCKE SUPER FUND A/C>	3,000,000	4.00
6. MR JAMES FLORIAN PEARSON <J PEARSON FAMILY A/C>	2,571,158	3.43
7. MR DAVID LEE PALUMBO	2,539,389	3.39
8. MRS VICTORIA HELEN GARDINER	2,480,054	3.31
9. HARD ROCK MINING PTY LTD	2,200,000	2.93
10. SOPRANO INVESTMENTS (WA) PTY LTD <MJ MARANO SUPER FUND A/C>	2,012,403	2.68
11. MR LAFRAS LUITINGH	2,000,000	2.67
12. MINING CORPORATE PTY LTD	2,000,000	2.67
13. TITAN SECURITIES PTY LTD	1,908,683	2.54
14. MS LORAIN KAY ORR	1,603,209	2.14
15. MR MURRAY WILLIAM BROUN	1,534,629	2.05
16. OCEANIC CAPITAL PTY LTD	1,500,000	2.00
17. MR JOHN ROBERT TYRRELL + MS CLAIRE KATHERINE TYRRELL <THE TYRRELL SUPER FUND A/C>	1,455,000	1.94
18. MR JOHN COLIN LOOSEMORE + MS SUSAN MARJORY LOOSEMORE <LOOSEMORE SUPER FUND A/C>	1,333,334	1.78
19. OPULENTUS INVESTMENTS PTY LTD <JAMLOUMARVALBOY A/C>	1,157,706	1.54
20. MRS JILLIANNE MURIEL FREEMAN <THE JILL FREEMAN FAMILY A/C>	1,107,867	1.48
	<b>48,011,932</b>	<b>64.02</b>

2. The name of the company secretary is David Palumbo.

3. The address of the principal registered office in Australia is:  
Level 11, 216 St Georges Terrace Perth WA 6000

4. Registers of securities are held at the following address:  
Computershare Investor Services Pty Ltd, Level 11, 172 St Georges Terrace, Perth WA 6000

5. Stock Exchange Listing  
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the ASX Limited.

**Krakatoa Resources Limited  
& Controlled Entities**

**SCHEDULE OF MINERAL TENEMENTS  
AS AT 6 SEPTEMBER 2019**

<i>Project</i>	<i>Tenement</i>	<i>Interest held by Krakatoa Resources Limited</i>
Mt Clere	E52/3730	-
Mt Clere	E52/3731	-
Mt Clere	E09/2357	-
Dalgaranga	P59/2082	100%
Dalgaranga	P59/2140	100%
Dalgaranga	P59/2141	100%
Dalgaranga	P59/2142	100%
Mac Well	E59/2175	100%
Corkill- Lawson	113077	100%
Corkill- Lawson	127453	100%
Corkill- Lawson	139501	100%
Corkill- Lawson	155382	100%
Corkill- Lawson	155383	100%
Corkill- Lawson	170039	100%
Corkill- Lawson	170568	100%
Corkill- Lawson	191476	100%
Corkill- Lawson	200011	100%
Corkill- Lawson	200012	100%
Corkill- Lawson	203607	100%
Corkill- Lawson	203626	100%
Corkill- Lawson	210246	100%
Corkill- Lawson	228787	100%
Corkill- Lawson	228800	100%
Corkill- Lawson	228801	100%
Corkill- Lawson	237094	100%
Corkill- Lawson	237095	100%
Corkill- Lawson	247658	100%
Corkill- Lawson	267268	100%
Corkill- Lawson	267287	100%
Corkill- Lawson	267288	100%
Corkill- Lawson	286779	100%
Corkill- Lawson	294811	100%
Corkill- Lawson	307478	100%
Corkill- Lawson	307479	100%
Corkill- Lawson	307480	100%
Corkill- Lawson	307504	100%
Corkill- Lawson	307505	100%
Corkill- Lawson	314208	100%
Corkill- Lawson	314209	100%
Corkill- Lawson	314210	100%
Corkill- Lawson	314212	100%
Corkill- Lawson	323368	100%

**Krakatoa Resources Limited  
& Controlled Entities**

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Corkill- Lawson	335103	100%
Corkill- Lawson	552682	100%
Corkill- Lawson	552683	100%
Corkill- Lawson	552684	100%
Corkill- Lawson	552685	100%
Corkill- Lawson	552686	100%