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Significant clay hosted REE prospective tenure granted at Rand

Krakatoa Resources Limited (ASX: KTA) ("Krakatoa" or the "Company") is pleased to update the market on the granting of EL9366 (Urana), part of the Rand Project in the Riverina region of southern NSW (Figure 1).

Late in 2021, Krakatoa discovered elevated rare earth elements (REEs) associated with weathered intrusions at the Bullseye Magnetic Targets within EL9000 (ASX release 8 December 2021). The drill results revealed significant total rare earth oxide (TREO) intersections including:

- 11m @ 1,223ppm TREO from 43m (HAC020)
- 7m @ 1,285ppm TREO from 42m; within 28m @ 598ppm TREO from 38m to EOH (HAC023)
- 4m @ 1,424ppm TREO from 35m; within 12m @ 633ppm TREO from 31m (HAC029)
- 8m @ 1,230ppm TREO from 9m; within 35m @ 579ppm TREO from 1m to EOH (HAC043)

In recognition of the potential for the district to host significant REEs, Krakatoa applied for and has now been granted EL9366 covering approximately 2241km^2.

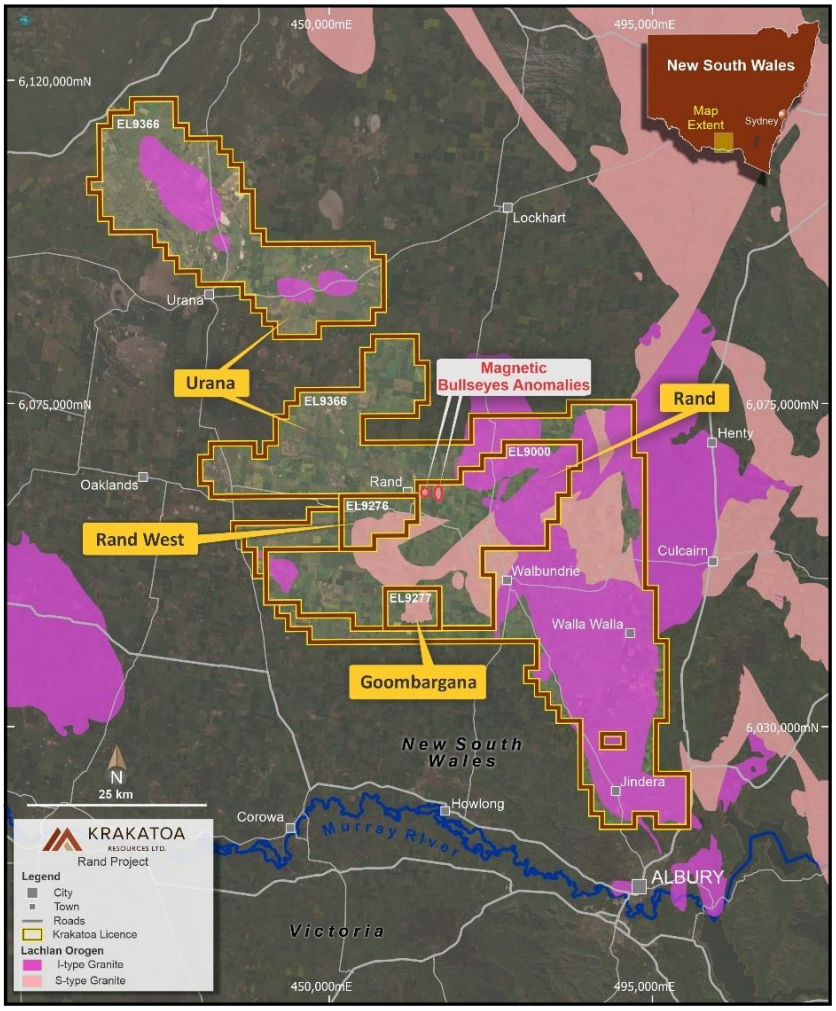

Figure 1 Krakatoa's NSW Rand Project locations over simplified geology

ASX Code
KTA

Capital Structure
294,709,917 Fully Paid Shares
21,200,000 Options @ 7.5c exp 29/11/23
15,000,000 Performance Rights at 20c, 30c and 40c.

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The causative REE-bearing intrusive rocks drilled at the Rand Bullseye Anomalies are moderately magnetic, intermediate hornblende quartz diorites (or granodiorites) of unknown age; likely I-Type intrusions. The AC program outlined in ASX release 30 June 2021 confirmed the magnetic anomalies to be 3 separate intrusive bodies, all concealed by Cenozoic cover.

Granites in the broader project area occur both as rare prominent hills or have been interpreted under cover sequences by geophysical techniques, mainly magnetics. The East Riverina Mapping Project completed recently by the NSW Geological Survey studied intrusions surrounding the Rand Project. This detailed work defined 4 main intrusive groups (mainly granites with lesser volcanics) ranging from Lower Silurian to Upper Devonian in age with main age dates clustering around 430Ma (S-Type), 420-413Ma (S- and I-Type), 405Ma (I-Type) and 370Ma (I-A-Type). The study noted the potential association of REEs related to the Devonian granites (as depicted in Figure 2).

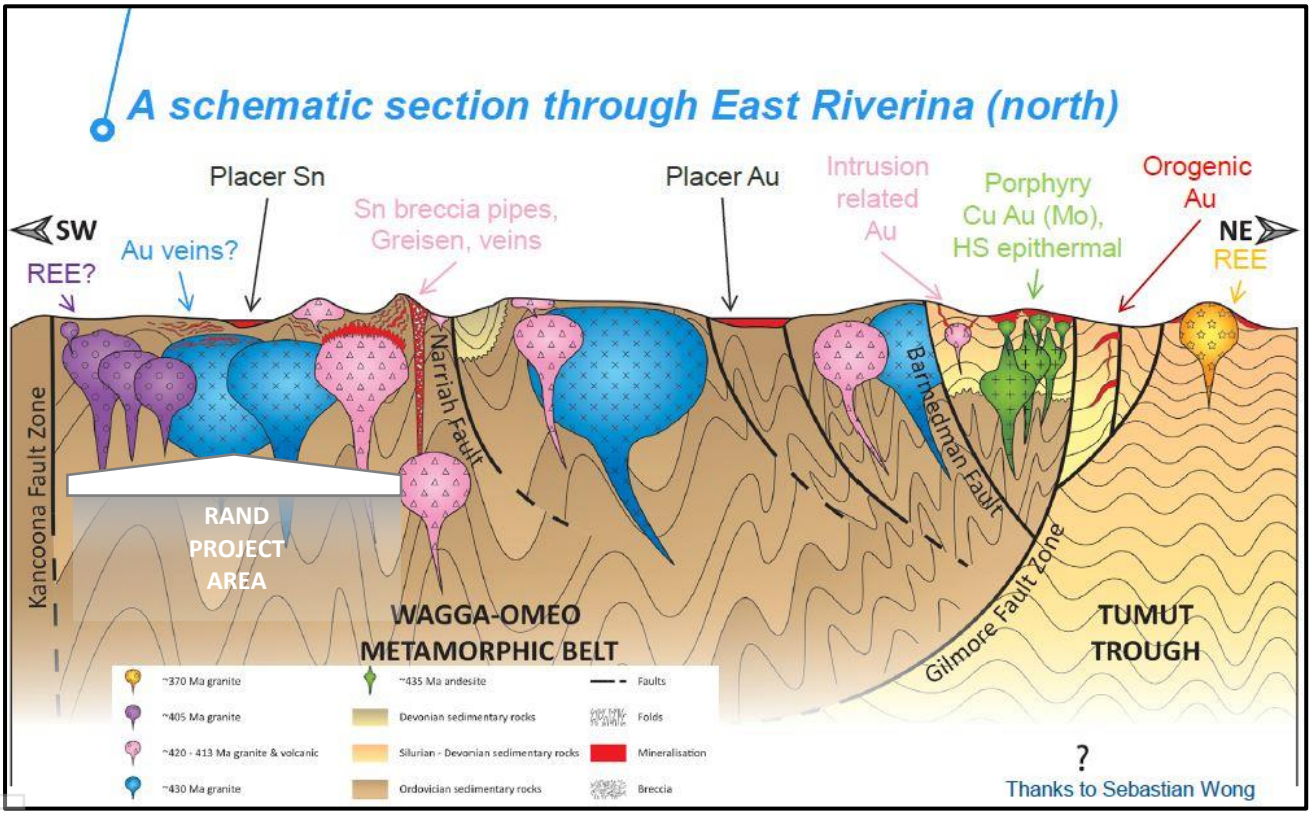

Figure 2 Schematic cross-section through the East Riverina study area which corresponds to KTAs project area (after Gilmore, 2018)

EL9366 covers ground predominantly featuring Cenozoic cover masking interpreted Silurian and Devonian granites and minor Devonian volcanics within Abercrombie Formation sediments. Widespread sedimentary cover has hindered bedrock exploration and consequently the project area remains seriously under-explored area for most commodities.

The exploration completed on EL9000 in 2021 defined several new areas and types of intrusions most of which were previously unrecognised. The upside of this, is that there are clearly more intrusives in the area than have previously been acknowledged. Krakatoa has initiated geochemical and petrographic studies in order to classify and understand the various intrusion types, especially those associated with elevated REEs.

Of particular interest is the accumulation of REEs in clay-rich weathered zones above and adjacent to intrusions which may form ionic adsorption clay REE deposits. This style of deposit is an attractive exploration target because development, capital expenditure and operation costs tend to be low compared to hard rock deposits.

Moving forward, the planned exploration rationale is to conduct shallow air-core drilling across areas of know and interpreted intrusives within the granted tenements, testing the upper parts of the weathering profile for REE enrichment. This work should define what REE enrichment has occurred and to what extent.

In December 2021, selected air-core percussion chip samples from 4 of the 2021 Bullseye Magnetic Targets drilling holes were freighted to ALS Global's Hydrometallurgical Centre of Excellence in Perth to undergo initial metallurgical testing. These samples are undergoing a series of leach testing using ammonium sulphate and weak acids to determine the levels and which REE's within the clay hosted basket display ionic characteristics under these conditions. (Refer to ASX announcement 8 December 2021 for further information).

Regional reconnaissance air-core drilling will be completed across the weathering profiles developed above the numerous intrusives on EL9366 and we await metallurgical test work on the anomalous REE zones around the bullseye magnetic anomalies. Drilling is expected to commence mid-2022, dependent upon access and rig availability.

Authorised for release by the Board.

FOR FURTHER INFORMATION:

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Competent Person's Statement

The information in this announcement is based on, and fairly represents information compiled by Erik Conaghan, Exploration Manager, who is a full-time employee of Krakatoa Resources. Mr Conaghan is a Member of the Australian Institute of Geoscientists and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he has undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Conaghan consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears

Forward Looking Statements

Forward-looking statements are statements that are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to statements regarding future production, resources or reserves and exploration results. All of such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Our audience is cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof, and we do not undertake any obligation to revise and disseminate forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of or non-occurrence of any events.

ABOUT KRAKATOA

Krakatoa is an emerging as a diversified high value critical metals and technology element company catering to the exponential demand spawned by electrification and decarbonisation. It is an ASX listed public Company with assets associated with copper-gold exploration in the world class Lachlan Fold Belt, NSW and multielement metals including the increasingly valued rare earths, nickel and heavy mineral sands in the highly prospective Narryer Terrane, Yilgarn Craton, WA and critical metals at Dalgaranga, WA

The company is focused on systematic exploration and development of their key project.

Mt Clere REEs, HMS & Ni-Cu-Co, PGEs Project (100%); Gascoyne WA

The Mt Clere REE Project located at the north western margins of the Yilgarn Graton. The Company holds 2,310km^2 of highly prospective exploration licenses prospective for rare earth elements, heavy mineral sands hosted zircon-ilmenite-rutile-leucoxene; and gold and intrusion hosted Ni-Cu-Co-PGEs. Historical exploration has identified the potential presence of three REE deposit types, namely, Ion adsorption clays in extensive laterite areas; monazite sands in vast alluvial terraces; and carbonatite dyke swarms.

Dalgaranga Critical Metals Project, Nb, Li, Rb, Ta, Sn, (100%); Mt Magnet WA.

The Dalgaranga project has an extensive rubidium exploration target defined next to the old Dalgaranga tantalum mine, with extensive pegmatite swarms with little exploration completed throughout the area. The project is clearly under-explored, the historical drilling was very shallow as it mainly focused on defining shallow open pitable resources in the mine area.

Rand Gold, REEs Project (100%); Lachlan Fold NSW

The Rand Project covers an area of 580km^2, centred approximately 60km NNW of Albury in southern NSW. The Project has a SW-trending shear zone that transects the entire tenement package forming a distinct structural corridor some 40 km in length. The historical Bulgandry Goldfield, which is captured by the Project, demonstrates the project area is prospective for shear-hosted and intrusion-related gold. Historical production records show substantial gold grades, including up to 265g/t Au from the exposed quartz veins in the Show Day Reef. REE's have recently been identified over several intrusive basement areas which lead to extensive exploration application (2,008km^2) being placed over recognised prospective areas which will undergo clay hosted REE exploration once granted.

Belgravia Cu-Au Porphyry Project (100%); Lachlan Fold NSW

The Belgravia Project covers an area of 80km^2 and is located in the central part of the Molong Volcanic Belt (MVB), between Newcrest Mining's Cadia Operations and Alkane Resources Boda Discovery. The Project target areas are considered highly prospective for porphyry Cu-Au and associated skarn Cu-Au, with Bell Valley and Sugarloaf the most advanced target areas. Bell Valley contains a considerable portion of the Copper Hill Intrusive Complex, the porphyry complex which hosts the Copper Hill deposit (890koz Au & 310kt Cu) and Sugarloaf is co-incident with anomalous rock chips including 5.19g/t Au and 1.73% Cu.

Turon Gold Project (100%); Lachlan fold NSW

The Turon Project covers 120km^2 and is located within the Lachlan Fold Belt's Hill End Trough, a north-trending elongated pull-apart basin containing sedimentary and volcanic rocks of Silurian and Devonian age. The Project contains two separate north-trending reef systems, the Quartz Ridge and Box Ridge, comprising shafts, adits and drifts that strike over 1.6km and 2.4km respectively. Both reef systems have demonstrated high grade gold anomalism (up to 1,535g/t Au in rock chips) and shallow gold targets (10m @ 1.64g/t Au from surface to EOH).

The information in this section that relates to exploration results was first released by the Company on 19 June 2019, 25 November 2019, 3 December 2019, 14 April 2020, 20 May 2020, 26 June 2020, 6 July 2020, 9 August 2021, 8 November 2021. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement