



Statement for Shareholders, 31 January, 2013

Allan Branch, Managing Director and CEO

Dear Shareholders,

This has been an exhilarating month for Krucible Metals Limited (Krucible) and a rewarding time for our shareholders and other stakeholders.

We went from excitement concerning the anticipated completion of the due diligence exercise for our joint venture negotiations with Getax International Pte Ltd of Singapore (Getax), to instead an end to that relationship, and now the successful negotiations towards selling our phosphate assets to Daton Group Australia Limited (Daton) in a proposed and conditional one-off asset sale valued at \$12,000,000. The Indicative Proposal was signed on 22 January 2013 and the Sale Purchase Agreement is being completed now. These announcements were made to the ASX on 23 January 2013. The benefit is that this promises to bring future funds to Krucible more immediately.



The result was a long overdue response from the market to the value of our phosphate assets. This was reflected in our share price which almost doubled then settled at 35% higher on release of the news and at the time of this report holds at 11 cents, but still less than the theoretical 17 cents that 70 million shares into \$12m generates. It has been inconceivable to me that the market placed absolutely no value last year on our phosphate activities despite constant announcements of our strategies to convert them to shareholder value.

Even stranger was the fact that at least one broker we know of actually gave sell recommendations to his clients despite all the good news. A quick review shows nearly everyone giving independent buy recommendations (<http://quotes.barchart.com/opinions/stocks/KRB.AX> for example). In the Jumex report discussed later in this document, the detachment of the market capitalisation from the value of projects is highlighted, and the role of some brokers and other participants in the industry must be a part of that phenomenon.

EXPLORATION 2013

As predicted in my last MD Statement for Shareholders (ASX 20 December 2012), Bridgette Humphries our Senior Geologist (right) has now determined her field operations for 2013. These details and the associated priorities were released to the market this week (ASX 29 January 2013) with a proposed million dollar exploration program.

Krucible is in an enviable position. We now have the opportunity to focus on the remaining half of our tenement portfolio, especially to follow up on interesting field work surrounding base metals, rare earths, precious metals and perhaps even uranium now that the Queensland Government is lifting the ban on uranium mining. The early stages of those tenements, some of them applications still, means that the tenement administrative overheads are minimal and funds will go to technical exploration, prospecting and drilling.





At the same time, we have every expectation to enter into negotiations with Daton to pursue joint venture exploration on the tenements they plan to buy from us. This could include both assisting Daton with their phosphate development, and JV's with the other mineral rights. This would be an exciting outcome for both companies and if it happens would ensure that our exploration budget outperforms anything we have done before.

Krucible is cleverly converting its phosphate assets into immediate wealth for the company and its shareholders, through an asset sale rather than a mine development joint venture in this case, but we are unchanged in our desire to continue transitioning to a mining company. Our interests in rare earths, copper, gold, and strontium, all lead to any number of opportunities in the future.

GETAX, KORELLA, PHOSPHATE AND DATON

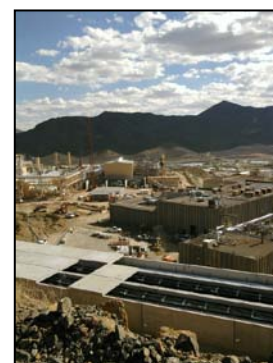
Krucible announced that the hoped-for joint venture with Getax to develop the Korella phosphate mine has ended with Getax unable to complete their due diligence despite several extensions granted by Krucible, and the negotiations were terminated, (ASX 23 January 2013). Instead Krucible has accepted a conditional proposal from Daton for them to buy our phosphate tenements outright for \$12m, including Korella and its mining lease.

DATON

Daton is an ASX listed Australian fertilizer manufacturer with activities in Queensland and a new plant being built in Brisbane. Daton is interested in manufacturing advance value-added fertilizers and desires a long-term stable supply of preferably locally-mined phosphate of appropriate grade. Daton considers Krucible's Korella phosphate deposit suitable as it is the only high grade DSO phosphate resource in Australia adjacent to existing infrastructure, near to surface and ready to mine. The Indicative Proposal for this deal was signed on 22 January 2013 and the Sale Purchase Agreement (SPA) is being completed. There is every possibility as the relationship develops that Daton and Getax will form strategic joint ventures to extract value out of the tenements, particularly in regard to non-phosphate minerals. This is a valuable acquisition for Daton, and we congratulate them, but it is also a good outcome for Krucible with the opportunity to see immediate value for these assets.

RARE EARTHS

Rare earths are an enigma. These elements are absolutely critical, supply is limited and controlled by China, which has even stopped supply to the largest international user which is Japan, yet the prices are down. The main reason seems to be the control and manipulation of this market by China. It is causing technology companies to seek alternative supplies. This government control has been strong enough to keep prices depressed, but part of the fall has to be blamed on the activities of the main non Chinese companies in the sector; Molycorp (right), with the reported problems with its Mountain Pass project and now emerging information around regulatory irregularities, and another main player Lynas with its difficult relationship in its joint venture country Malaysia despite a recent court win. One observer, Mark Helper of Smart Planet, believes China will buy Molycorp, meaning the market would lock up even more. When there is an enigma as illustrated here, it suggests to me that something is wrong in the data and there is a clue in a Proedgewire update showing that China produced less rare earths last year, at only 53% of what it planned.





Krucible has discussed its interests in rare earths extensively in these Shareholder Statements, particularly the heavier ones which are more valuable, and our position is now being consolidated given the Daton sale and the opportunity to put our funds towards these types of projects. We will present a discussion of the implications of these rare earth issues at the 3rd Annual Strategic Metals and Rare Earths Conference in Sydney on 27 February 2013. This is an opportunity ripe for someone to do something clever.

JUMEX

Grant Thornton Australia released their third survey of junior mining and exploration companies this month (JUMEX). There is no surprise that the most significant finding was financial market instability and the continued lack of equity capital. Volatile commodity prices have been a contributing factor, along with policy uncertainty. Companies like Krucible, with less than \$2m in cash, have pursued alternative funding strategies like asset sales and joint ventures. One can imagine these are often at a disadvantage to the junior. Of relevance to Krucible is the confirmation in the report that there is a disconnect between market capitalisation and the inherent value across the industry in Australia, something we have been stating for the last year. Our recent negotiations with Daton and the effect the news had on our share price illustrate that disconnect dramatically. The report also points out that there will be growth opportunities for cashed up companies to expand as others struggle to survive due to cash starvation.

PERFORMANCE

The dramatic effect on our share price on the news of the Daton transaction can be seen at right.

The graph tracks the last year, with a small bump in May on the announcement of the appointment of the new CEO, then a larger peak with the announcement of the proposed Getax joint venture in August, and most recently at the far right, a sudden jump as the Daton news erupted, with its record volume at almost 3 million shares traded.



Sincerely,

Allan Branch
Managing Director and CEO

About Krucible Metals Limited:

Listed on Australia's main stock exchange since 2007, Krucible is an Australian-based resources company with an enviable history of discovery in phosphorus and rare earths as well as other elements. Krucible continues to explore for precious metals, base metals and others, and is transitioning to a mining company. Krucible has expectations to enter a joint venture to develop a mine at Korella in the mineral rich Mount Isa area of north western Queensland where the company discovered phosphate and rare earths. Krucible has a strong industry-based board and management, who promote aggressive value-added mining projects.