

Krucible Metals Limited

ABN 12 118 788 846

Consolidated Financial Report
For the half-year ended 31 December 2014

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CORPORATE DIRECTORY

Directors

Leon Pretorius – Executive Chairman
Dennis Lovell – Non-Executive Director
Josh Puckridge – Non-Executive Director

Company Secretaries

Josh Puckridge (resigned 26 February 2015)
Dennis Lovell (resigned 26 February 2015)
Michael Meintjes (appointed 26 February 2015)

Registered Office

Krucible Metals Limited
c/o Coutts Redington Chartered Accountants
The Plaza, 278 Ross River Road
Aitkenvale, Townsville QLD 4814
Australia

Principal Place of Business

113 Boundary Street, Railway Estate, Townsville QLD 4810, Australia
Telephone: (07) 4772 5880
Facsimile: (07) 4772 4999
Website: www.kruciblemetals.com.au

Auditors

BDO Audit Pty Ltd
Level 10, 12 Creek Street, Brisbane QLD 4000, Australia
Telephone: 07 3237 5999
Fax: 07 3221 9227
Website: www.bdo.com.au

Share Registry

Boardroom Pty Ltd
Sydney: Level 7, 207 Kent Street, Sydney, NSW 2000, Australia
Brisbane: Level 5, 320 Adelaide Street, Brisbane, QLD, 4000, Australia
Telephone: 1300 737 760
Facsimile: 1300 653 459
Website: www.boardroomlimited.com.au

Home Exchange

Australian Securities Exchange Ltd ("ASX") ASX code: KRB
Exchange Centre, 20 Bridge Street, Sydney NSW 2000, Australia

DIRECTORS' REPORT

The Directors present their report together with the financial statements of Krucible Metals Ltd ("the Company" or "Krucible") for the half-year ended 31 December 2014 and the auditor's review report thereon.

Directors

The Directors of the Company at any time during the half-year and until the date of this report are as follows.

Leon Pretorius- Executive Chairman (appointed 11 November 2014)
Dennis Lovell- Non-Executive Director (appointed 11 November 2014)
Josh Puckridge- Non-Executive Director (appointed 11 November 2014)

Sean Kelly- Non-Executive Chairman (resigned 10 November 2014)
Allan Branch – Managing Director and CEO (removed 11 November 2014)
Raymond Koenig – Non-Executive Director (resigned 10 November 2014)
Andrew Vigar- Non-Executive Director (resigned 10 November 2014)

Principal Activities

During the financial half-year, the principal continuing activities of the consolidated entity consisted of:

- Carrying out of mineral exploration and evaluation on owned tenements
- Conducting a review on the ongoing prospectivity of the Company's tenement holdings
- Evaluating opportunities to enter into joint venture arrangements and to pursue merger or acquisition arrangements

Review of Operations

Capital Structure and Finances

At the end of December 2014, the Company had 80,508,565 shares (ASX: KRB), 19,017,362 listed options (ASX: KRBO) and 2,300,000 unlisted options on issue

The Company also held cash reserves of \$9,777,920 (including \$4m on term deposit with a maturity of greater than 3 months and recorded as "Financial assets" in the Statement of Financial Position).

The net operating loss after income tax for the half year was \$2,607,925 (2013: \$445,605). This loss was significantly impacted by the impairment charge against the capitalised balance of exploration and evaluation expenditure. See further details below.

Board and Management Changes

During the half year, as announced 12 November 2014 "Results of AGM and changes of Board and Management", the Company underwent a complete change of its Board of Directors and removal of the Company's Chief Executive Officer by way of shareholder voting at the 2014 Annual General Meeting.

DIRECTORS' REPORT (CONT)

Strategic Review of Operations

The new Board of Directors has conducted a full technical review of the Company's exploration projects. This assessment was performed by the Board, management and a geological consultant and, while it has been established that there are some projects which may attract Joint Venture partners, the majority of the tenements have been sufficiently explored to the point that the Company cannot warrant any further exploration expenditure on them. The Company intends to relinquish the low prospectivity holdings as soon as possible after all statutory requirements have been met, including rehabilitation. This evaluation has brought rise to the Board resolving to write off the balance of the capitalised exploration and evaluation expenditure costs resulting in an impairment charge of \$2,835,132 as at 31 December 2014.

Concurrently with this technical review, the Board has also reviewed the Company's outstanding trade liabilities (such as unpaid drilling fees etc) present at the time of the new Boards' arrival and have since settled all known potential claims of a material nature against the Company for unpaid expenditures.

Capital Management

The Company reaffirmed in an announcement to the ASX on 24 November 2014 that, if it had not established a better use for the Company's cash position before 31 March 2015, it will return a minimum of \$0.01 per share to shareholders. See 'Events Subsequent to 31 December 2014' for further details on the Company's proposed Capital Management strategy.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year other than as outlined above in the Review of Operations section.

Events Subsequent to 31 December 2014

Subsequent to 31 December 2014, the consolidated entity settled all outstanding vehicle and equipment finance lease commitments (reflected as Borrowings in the Statement of Financial Position at 31 December 2014), totalling \$102,943. The consolidated entity is consequently debt free other than obligations arising from normal operating activities.

The Board, after considering the appropriate capital structure for the Company going forward, came to the conclusion that a return of capital to shareholders of \$0.05 per share ("Return") (amounting to approximately \$4.025m based on currently issued ordinary share capital) is appropriate. The record date to be eligible to receive the Return and further details regarding the proposed Return will be contained in the Notice of Meeting ("NoM") setting out the resolution to be put to shareholders to approve the Return. The NoM is expected to be completed within 30-45 days of the ASX announcement on 26 February 2015.

DIRECTORS' REPORT (CONT)

Events Subsequent to 31 December 2014 (cont)

As announced to the ASX on 26 February 2015, the Board has been examining a number of potential new project acquisitions, under Confidentiality Agreements, that could be suitable for the Company to make better use of its cash at bank and new management skills. These potential project acquisitions have been narrowed and the Company is assessing one Australian natural resources project in more detail. Discussions with the vendors of this potential acquisition project remain confidential, incomplete and non-binding and the Company will update the market should any further progress be made.

The Company has reduced all term deposits to less than three month periods so that cash is readily available for the proposed capital return to shareholders and potential project acquisition opportunities.

In addition, the Company has placed the recently purchased head office premises located in Townsville on the market for immediate sale.

Auditor's Independence Declaration

The Company's auditor has provided their independence declaration. This is on the following page of this directors' report.

Signed in accordance with a resolution of the Board of Directors



Leon Pretorius – Executive Chairman

Brisbane, 16 March 2015

DECLARATION OF INDEPENDENCE BY C R JENKINS TO DIRECTORS OF KRUCIBLE METALS LIMITED

As lead auditor of Krucible Metals Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Krucible Metals Limited and the entities it controlled during the period.



C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 16 March 2015

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**Consolidated Statement of Profit & Loss and Other Comprehensive Income
for the half-year ended 31 December 2014**

	Notes	Half-year December 2014 \$	Half-year December 2013 \$
Revenue			
Interest Income		119,590	11,933
Profit on sale of fixed asset		3,962	-
Expenses			
Depreciation and amortisation expense		(20,271)	(8,995)
Employment costs		(74,829)	(88,807)
Directors fees		(63,695)	(54,961)
Contractors (management)		(213,774)	(164,145)
Administration expenses		(199,047)	(73,198)
Transaction and funding costs	6	-	(63,161)
Interest expense		(15,453)	-
Impairment of capitalised exploration and evaluation costs	6	(2,835,132)	(4,271)
Loss before income tax		(3,298,649)	(445,605)
Income tax (expense)/credit	7	690,724	-
Loss after income tax		(2,607,925)	(445,605)
Other Comprehensive Income (net of tax)		-	-
Total Comprehensive Income (Loss)		(2,607,925)	(445,605)
		cents	cents
Basic earnings/(loss) per share		(3.24)	(0.55)
Diluted earnings/(loss) per share		(3.24)	(0.55)

The above consolidated statement of profit & loss and other comprehensive income should be read in conjunction with the accompanying notes.

**Consolidated Statement of Financial Position
as at 31 December 2014**

		31 Dec 2014	30 June 2014
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		5,777,920	5,814,959
Financial assets		4,122,471	5,223,741
Total current assets		9,900,391	11,038,700
Non-current assets			
Other assets		55,000	60,000
Deferred tax assets	7	-	19,396
Property, plant and equipment	8	799,317	619,401
Exploration and evaluation assets		-	2,062,774
Total non-current assets		854,317	2,761,571
Total assets		10,754,708	13,800,271
LIABILITIES			
Current liabilities			
Trade and other payables		126,514	54,510
Provisions		81,275	0
Income tax		301,436	301,436
Borrowings		102,943	20,146
Employee benefits		44,858	28,248
Total current liabilities		657,026	404,340
Non-current liabilities			
Borrowings		-	67,740
Employee benefits		10,295	19,004
Deferred tax liabilities	7	-	618,809
Total non-current liabilities		10,295	705,553
Total liabilities		667,321	1,109,893
Net assets		10,087,387	12,690,378

**Consolidated Statement of Financial Position
as at 31 December 2014 (cont)**

		31 Dec 2014	30 June 2014
	Notes	\$	\$
EQUITY			
Contributed equity	4	11,402,653	11,397,720
Option reserve	5	583,089	583,089
Retained profits/(Accumulated losses)		(1,898,355)	709,569
Total equity		10,087,387	12,690,378

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
for the half-year ended 31 December 2014

	Half-year December 2014	Half-year December 2013
Cash flows from operating activities	\$	\$
Cash paid to suppliers and employees	(498,281)	(479,195)
Interest received	56,814	11,933
Interest paid	(13,397)	-
R&D Tax Offset received	91,311	-
Net cash inflow/(outflow) from operating activities	(363,553)	(467,262)
Cash flows from investing activities		
Purchase of property, plant and equipment	(146,466)	(97,434)
Payments for exploration and evaluation	(625,639)	(477,601)
Receipt of (Payment for) security deposits	5,000	(17,500)
Proceeds (deposit & instalment) from asset sale	-	4,286,400
Transfers to term deposits (>3mths)	(4,025,317)	-
Transfers from term deposits (>3mths)	5,140,317	-
Net cash inflow/(outflow) from investing activities	347,895	3,693,865
Cash flows from financing activities		
Proceeds from issue of shares	4,933	-
Finance lease repayment	(26,314)	-
Drawdown of mortgage loan	325,000	-
Repayment of mortgage loan	(325,000)	-
Net cash inflow/(outflow) from financing activities	(21,381)	-
Net increase (decrease) in cash and cash equivalents	(37,039)	3,226,603
Cash and cash equivalents at beginning of period	5,814,959	522,628
Cash and cash equivalents at end of period	5,777,920	3,749,231

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2014**

	Note	Contributed Equity	Accumulated Profit/(Losses)	Option Reserve	Total
		\$	\$	\$	\$
Balance as at 30 June 2013		11,395,760	(6,104,413)	583,089	5,874,436
Loss after income tax		-	(445,605)	-	(445,605)
Other comprehensive income (net of tax)		-	-	-	-
Total comprehensive income		-	(445,605)	-	(445,605)
Transactions with owners in their capacity as owners:					
Issue of shares		-	-	-	-
Share-based payment expense		-	-	-	-
Balance at 31 December 2013		11,395,760	(6,550,018)	583,089	5,428,831
Balance at 30 June 2014		11,397,720	709,569	583,089	12,690,378
Loss after income tax		-	(2,607,925)	-	(2,607,925)
Other comprehensive income (net of tax)		-	-	-	-
Total comprehensive income		-	(2,607,925)	-	(2,607,925)
Transactions with owners in their capacity as owners:					
Issue of shares		4,934	-	-	4,934
Share-based payment expense		-	-	-	-
Balance at 31 December 2014		11,402,654	(1,898,356)	583,089	10,087,387

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**Notes to the Financial Statements
for the half-year ended 31 December 2014**

Note 1. CORPORATE INFORMATION

The half-year financial report of Krucible Metals Limited for the six months ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 16 March 2015, as required by the Corporations Act 2001.

Krucible Metals Limited is a company limited by shares incorporated in Australia

Note 2. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

This general purpose financial report for the interim half-year reporting period ended 31 December 2014 has been prepared in accordance with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Act 2001.

This interim report does not include all the notes of the type normally included in an annual financial report and, therefore, cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investment activities of the group as the full financial report. Accordingly, this interim financial report is to be used in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial report has been prepared on a going concern basis.

Significant judgements involved in preparing the financial report

In the six month period, the Company lodged objections with the ATO in order to amend the tax returns for the tax years prior to 2012. The objections related to Div 40-H deductions for exploration and evaluation expenditure that had not been included in these returns. The objection was denied by the ATO on the basis that the Company had nil assessments in those years. The Company has however been advised that it is able to lodge an objection in the year that assessable income is derived. Consequently the Company plans to lodge this objection with the 2014 return and the tax provision of \$301,436 reflected in the financial report has been determined on the basis that the Div-40-H deductions will be claimable.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

Any new, revised or amending 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 consolidated entity.

Notes to the Financial Statements

for the half-year ended 31 December 2014

Note 3. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily on a geographic basis that is the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of financial information reported to the Board, which is at the Group level. The Group does not have any products/services where it derives revenue.

Management currently identifies the Group as having only one operating segment, being exploration. All significant operating decisions are based upon analysis of the Group as one segment. The financial results from the segment are equivalent to the financial statements of the Group as a whole.

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**Notes to the Financial Statements
for the half-year ended 31 December 2014**

Note 4. CONTRIBUTED EQUITY

	31 December 2014		30 June 2014	
	No.Share	\$	No.Share	\$
Share capital				
<i>Ordinary shares</i>				
Fully paid	80,508,565	11,402,653	80,409,887	11,397,720

Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue price \$	\$
30 June 2014	Closing balance		80,409,887		11,397,720
1 Sept 2014	Option conversion		3,250	0.05	162
1 Dec 2014	Option conversion		95,428	0.05	4,771
			80,508,565		11,402,653

Note 5. RESERVES

Movements in share option reserve

Date	Details	Notes	Number of options	Fair value at date of issue	Share option reserve \$
30 June 2014	Balance		3,070,000		583,089
12 August 2014	Options expired		(270,000)		-
11 November 2014	Options cancelled		(500,000)		-
31 December 2014	Balance		2,300,000		583,089

**Notes to the Financial Statements
for the half-year ended 31 December 2014**

Note 6. EXPENSES

During the period, the Company had the following significant items in expenditure:

	Half-year December 2014	Half-year December 2013
	\$	\$
Transaction and funding costs	-	(63,161)
Impairment of capitalised exploration and evaluation costs	(2,835,132)	(4,271)

The transaction costs in the 2013 half-year (prior period) relate to the amounts incurred in executing the Sale & Purchase Agreement with Australia New Agribusiness & Chemical Group Limited.

On a six monthly basis, the Company performs an impairment analysis of all exploration tenements as required under AASB 6. This assessment was performed by the Board, management and a geological consultant and, while it has been established that there are some projects which may attract Joint Venture partners, the majority of the tenements have been sufficiently explored to the point that the Company cannot warrant any further exploration expenditure. The Company intends to relinquish the low prospectivity holdings as soon as possible after all statutory requirements have been met, including rehabilitation. This evaluation has brought rise to the Board resolving to write off the balance of the capitalised exploration and evaluation expenditure costs resulting in an impairment charge of \$2,835,132 as at 31 December 2014.

Note 7. INCOME TAX (EXPENSE) / CREDIT

The components of income tax expense comprise:	Half-year December 2014	Half-year December 2013
	\$	\$
Current tax	-	-
Deferred tax	599,413	-
R&D tax offset- 2013	91,311	-
Income Tax (expense) / credit	<u>690,724</u>	<u>-</u>

**Notes to the Financial Statements
for the half-year ended 31 December 2014**

Note 8. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2014	30 June 2014
Land & Buildings	\$	\$
At cost	666,805	519,018
Accumulated depreciation	(5,895)	-
Written down value	<u>660,910</u>	<u>519,018</u>
Field equipment		
At cost	62,790	85,553
Accumulated depreciation	(14,559)	(78,796)
Written down value	<u>48,231</u>	<u>6,757</u>
Computer equipment		
At cost	5,499	5,347
Accumulated depreciation	(5,333)	(5,133)
Written down value	<u>166</u>	<u>214</u>
Office equipment & Furniture		
At cost	11,367	4,045
Accumulated depreciation	(1,741)	(1,258)
Written down value	<u>9,626</u>	<u>2,787</u>
Motor Vehicles		
At cost	145,620	145,620
Accumulated depreciation	(65,236)	(54,995)
Written down value	<u>80,384</u>	<u>90,625</u>
Total non-current property, plant and equipment	<u>799,317</u>	<u>619,401</u>

Notes to the Financial Statements
for the half-year ended 31 December 2014

Note 8. PROPERTY, PLANT AND EQUIPMENT (cont)

Reconciliations

Reconciliations of the carrying amount of each class of property, plant and equipment at the beginning and end of the current and previous financial period are set out below:

	31 Dec 2014	30 June 2014
	\$	\$
Land & Buildings		
Carrying amount at beginning of financial year	519,018	-
Additions	147,787	519,018
Disposals	-	-
Depreciation	(5,895)	-
Carrying amount at end of financial year	<u>660,910</u>	<u>519,018</u>
Field equipment		
Carrying amount at beginning of financial year	6,757	16,013
Additions	49,315	2,250
Disposals	(3,702)	-
Depreciation	(4,139)	(11,506)
Carrying amount at end of financial year	<u>48,231</u>	<u>6,757</u>
Computer Equipment		
Carrying amount at beginning of financial year	214	1,279
Additions	-	-
Disposals	-	-
Depreciation	(48)	(1,065)
Carrying amount at end of financial year	<u>166</u>	<u>214</u>
Office Equipment & Furniture		
Carrying amount at beginning of financial year	2,787	969
Additions	7,323	2,182
Depreciation	(484)	(364)
Carrying amount at end of financial year	<u>9,626</u>	<u>2,787</u>
Motor Vehicles		
Carrying amount at beginning of financial year	90,625	11,353
Additions	-	95,909
Disposals	-	-
Depreciation	(10,241)	(16,637)
Carrying amount at end of financial year	<u>80,384</u>	<u>96,625</u>

Notes to the Financial Statements

for the half-year ended 31 December 2014

Note 9: FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

At 31 December 2014, the Group did not have any financial instruments that were measured using the fair value measurement hierarchy.

The aggregate fair values of all financial assets and liabilities approximate their carrying values at the balance date.

Note 10. CONTINGENT ASSETS AND LIABILITIES

There have been no changes in contingent liabilities or contingent assets since the last annual reporting date, 30 June 2014.

Note 11. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to 31 December 2014, the consolidated entity settled all outstanding finance lease commitments (reflected as Borrowings in the Statement of Financial Position at 31 December 2014), totalling \$102,943. The consolidated entity is consequently debt free other than obligations arising from normal operating activities.

The Board, after considering the appropriate capital structure for the Company going forward, came to the conclusion that a return of capital to shareholders of \$0.05 per share ("Return") is appropriate. The record date to be eligible to receive the Return and further details regarding the proposed Return will be contained in the Notice of Meeting ("NoM") setting out the resolution to be put to shareholders to approve the Return. The NoM is expected to be completed within 30-45 days of the ASX announcement on 26 February 2015.

As announced to the ASX on 26 February 2015, the Board has been examining a number of potential new project acquisitions, under Confidentiality Agreements, that could be suitable for the Company to make better use of its cash at bank and new management skills. These potential project acquisitions have been narrowed and the Company is assessing one Australian natural resources project in more detail. Discussions with the vendors of this potential acquisition project remain confidential, incomplete and non-binding and the Company will update the market should any further progress be made.

Notes to the Financial Statements

for the half-year ended 31 December 2014

Note 11. EVENTS SUBSEQUENT TO BALANCE DATE (CONT)

The Company has reduced all term deposits to less than three month periods so that cash is readily available for the proposed capital return to shareholders and potential project acquisition opportunities.

In addition, the Company has placed the recently purchased head office premises located in Townsville on the market for immediate sale.

Note 12. SUBSIDIARY COMPANY

Korella Phosphate Pty Ltd ("Korella") was incorporated on 28 April 2010 and is 100% owned by Krucible Metals Ltd.

The Company held a Mining Lease which was sold to Australia New Agribusiness & Chemical Group Ltd on 16 January 2014 and the subsidiary company is now dormant.

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DECLARATION BY DIRECTORS

The Directors of the Company declare that:

1. The financial statements, comprising the statement of profit & loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Leon Pretorius
Executive Chairman

Brisbane: 16 March 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Krucible Metals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Krucible Metals Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Krucible Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Krucible Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Krucible Metals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.

BDO Audit Pty Ltd



C R Jenkins
Director

Brisbane, 16 March 2015

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COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is for the period from:

- i. 1 July 2014 to 10 November 2014 based on information compiled by Mr Andrew Vigar a competent person who is a Fellow of The Australasian Institute of Mining and Metallurgy and is employed by Mining Associates. Mr Vigar has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Vigar consented to the inclusion in Company reports released at that time the matters based on his information in the form and context in which it appeared.*
- ii. Since 11 November 2014 based on information compiled by Mr Martin Kavanagh a competent person who is a Fellow of The Australasian Institute of Mining and Metallurgy and is employed by KEM Resources. Mr Kavanagh has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Kavanagh consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.*