



KRUCIBLE METALS LTD

Mineral Discovery Company

ABN 12 118 788 846

Krucible Metals Limited

ABN 12 118 788 846

Consolidated Financial Report

For the half-year ended 31 December 2013



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CORPORATE DIRECTORY

Directors

Sean Kelly - Non-Executive Chairman
Allan C Branch - Managing Director & CEO
Raymond L Koenig - Non-Executive Director

Company Secretary

Michael C Meintjes CA

Registered Office

Krucible Metals Limited
C/O Kern Accountants
Level 1, 18 Stokes Street,
Townsville QLD 4810
Australia

Principal Place of Business

1/68 Railway Avenue, 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: 123 Eagle 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)
Exchange Centre, 20 Bridge Street, Sydney NSW 2000, Australia
ASX code: KRB

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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 2013 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.

Sean Kelly- Non-Executive Chairman
Allan Branch - Managing Director and CEO
Raymond Koenig - Non-Executive Director

Review of Operations

Finances

At the end of December 2013 the Company had 80,370,695 shares on issue and cash reserves of \$3,749,231 (compared with \$271,379 cash and 71,050,715 shares on issue at 31 December 2012). At 31 December 2013, Krucible also had a binding agreement to receive the final monies of approximately \$9m from an asset sale to Australia New Agribusiness and Chemical Group Ltd ("ANB"), which was received and is detailed in Subsequent Events and noted in other parts of this report.

The net operating loss after income tax for the half year was \$445,605 (2012: \$569,129).

The Directors note that the receipt of immediate cash through the ANB asset sale has proved beneficial to shareholders compared with the risk and long term delay in receiving profit sharing from an alternative joint venture to raise significant funds and open a mine at Korella, particularly through such a poor investment period as has been experienced in the resources sector over the last several years.

Asset Sale

During the six month period the Group continued to progress the completion of the Sale & Purchase Agreement with ANB ("SPA") which was executed on 27 May 2013. At that date, Krucible received, into a trust account, \$960,000 as a conditional deposit towards the contracted completion date which was originally set for October 2013. This agreement was however varied on 27 November 2013, with the following amended terms:

- the new completion date for payment of the residual purchase price being no later than 16 January 2014;
- an increase in purchase price of \$275k to be paid at the new completion date;
- an immediate release to Krucible of the remaining deposit of \$826k (\$134k was released earlier);
- payment of an instalment of 25% of the purchase price no later than 20 December 2013 against transfer to ANB of the Korella Mining Lease, subject to a mortgage over the Korella Mining Lease in favour of Krucible securing payment of the balance of the purchase price;
- payment by ANB of the tenement maintenance costs through to the new completion date;



- ANB reserved the right to complete the transaction by paying ahead of the new completion date;
- all the conditions precedent to completion were agreed as having been satisfied, except for two conditions relating to ongoing warranties given by Krucible which remain in place until the new completion date.

On 20 December 2014 Krucible received the instalment of 25% or approximately \$3m of the purchase price of \$12m from ANB. At that time Krucible transferred its Korella mining lease (ML19090) to ANB but held a first ranking mortgage over the ML as security until the remaining funds were paid. The remaining purchase price of around \$9m was subsequently paid on 16 January 2014 as agreed. ANB took possession of the remaining tenements and the security was released.

Business Plan

Krucible has confirmed its innovative business development plans for 2014 which includes potential M&A or JV projects to create an alternative long-term revenue stream for the Company without drawing on the cash from the ANB asset sale.

Krucible retains 15 tenements in the North West Queensland area with an allocated exploration budget of approximately \$2million for 2014.

The Company will continue exploring ways to commercialise its rare earth discoveries.

Krucible is investing in research projects to compliment its exploration methodology and its resource commercialisation plans.






The long term loyalty of shareholders will be rewarded.

Exploration


Overview

Following the ANB asset sale, Krucible now holds 15 tenements that it is exploring in 2014, with ground surveys, geophysical surveys, RC and diamond drilling.

During the 6 month period from 1 July to 31 December 2013, the Company progressed its exploration operations as follows:

-  Krucible has a cash asset sufficient to explore and expand its exploration operations for years, starting with an exploration budget of approximately \$2million for 2014.
-  The Coorabulka EPM was granted by the Queensland Government to Krucible on the 5th of December 2013. Krucible can now begin its intensive exploration program on this exciting EPM.
-  Krucible announced on 16 December 2013 that it has been participating in the research and development of innovative rare earth refinement technology with Logicamms in Brisbane which is expected to allow cost effective processing of our rare earth samples at Coorabulka.
-  Krucible has agreed to participate in the R&D and field testing of state of the art biogeochemical sampling at its Toomba tenement (EPM15367).
-  Krucible has returned a number of interesting assay results from sampling programs at Lukes Plot EPM17613.



 Surface geochemical sampling results at the Tobermorey EL28170 in the Northern Territory indicated a 1.5km strike of anomalous lead values.


Strategy

Krucible is exploring in NW Queensland for **high net worth** polymetallic deposits (Copper, Lead, Zinc, Silver) similar to Mount Isa, Ernest Henry and Cannington as well as high grade gold deposits like Tick Hill.

The Company has also exploring for IOCG (Iron Oxide Copper Gold) mineralisation in the Diamantina region in western Queensland, similar to the giant Olympic Dam deposit located in South Australia.




More recently Krucible has identified secondary rare earth sedimentary enrichment similar to the Korella deposit discovered by Krucible. Primary rare earths deposits are also possible in proximal distance to secondary deposits.

Drilling Statistics

 Krucible has completed no drilling activities during this reporting period.

Tenements

At the end of December 2013 the Company had a tenement package of 16 Exploration Permits for Minerals (EPM's) in Queensland and 1 Exploration License (EL) in the Northern Territory. This package comprises;

-  11 granted 100% owned EPM's (1,957 sq. kms)
-  1 granted 100% owned EL (856 sq. kms)
-  4 Krucible EPM Applications (1,168 sq. kms)

Krucible is planning an extensive exploration program for 2014, originally expected to begin in February. However a late wet season has seen the Company delay this program until weather permits.

Isa West

2 newly granted EPM's and one recent EPM application (Mosses Bore) comprise this area. There is an abundance of mineralization in the immediate region from the large scale Mt Isa Mine and Hilton Mine to a number of smaller historic mines including the May Downs gold mine. The next available opportunity will see Krucible's field team complete reconnaissance sampling on these granted EPM's.

Isa South / Cannington

Krucible has a variety of prospects in this area over a number of EPM's for copper/gold and silver/lead/zinc mineralization styles. Krucible has previously completed a number of surface sampling programs on these tenements with numerous anomalous values recorded. Work during the 2014 field season will see Krucible progress a number of these areas with geophysical surveys and drilling as well as completing sampling programs on prospect areas such as Crackenback on the Squirrel Hills EPM.

Boulia South

The Boulia South area includes Coorabulka EPM19286 and Valroy EPM application 25126. The main mineralisation style identified on these tenements is rare earths discovered in nodules just below the surface. The results of sampling to date have indicated strongly anomalous rare earth values as well as high values of lead and strontium. Further exploration in 2014 will



include sampling to determine the extent and levels of the rare earth anomalism in the Coorabulka EPM and in the Valroy EPM when granted (expected mid 2014).

Diamantina

Krucible has plans to complete drilling on the Kamaran Downs (EPM15389), Toomba (EPM15367) and Tobermorey (EL28170) tenements during the 2014 exploration season. All these tenements have exciting prospects for copper/gold mineralization with Tobermorey and Toomba also having silver/lead/zinc anomalism. Preliminary exploration is expected to begin in April 2014 with an exploration program at Toomba sampling the more recent prospect areas. Tobermorey will be subject to a geophysical survey to further define the current broad magnetics images.

Events Subsequent to 31 December 2013

ANB

On 16 January 2014, the Company successfully completed the sale of its phosphate tenements to ANB under the terms of the amended SPA. In line with the Deed of Amendment to the SPA, ANB paid \$9,225,700 (including GST of \$838,700) to Krucible, being the remainder of the purchase price totalling \$12,371,000 (excluding GST). Krucible has also been reimbursed for the security deposits attached to the tenements as they transfer to ANB, and for certain expenses associated with maintaining the tenements in good stead until the Completion Date.

All granted EPMs and the Korella mining lease were transferred to ANB, while EPM 19090 known as Lily Hole and which is still in its notification period, will be maintained by Krucible until it is granted and transferred to ANB.

Estimated After Tax Impact of Asset Sale

The estimated profit on sale (before tax) in relation to the phosphate tenements sold to ANB totals approximately \$8.5m. Krucible has contracted expert tax accounting advice to ensure the Group's corporate tax position is optimised. For example this advice will consider whether the Group is able to apply unrecognized deferred tax assets for unused carried forward tax losses against the capital gain arising under the transaction.

Tenement Changes

Krucible applied for EPM25487 (Mosses Bore) on the 9th January 2014. This is expected to be granted mid to late 2014 under the new Queensland Government processing system. Krucible has also applied to abandon EPM15831 (GE1) on the 24th January 2014. This EPM was considered low priority based on Krucible interpretations of geophysical and geological data.

Bonus Options Offering

On 24 January 2014, Krucible announced that it was issuing free bonus options pro-rata to eligible shareholders on the basis of one free option for every four shares held. The options, which are being issued at no cost, have an exercise price of \$0.05 and will expire on 23 January 2016. A prospectus for this bonus issue is currently being prepared and is expected to be lodged with ASIC in early March 2014 prior to being issued to shareholders.

There are no other events that have occurred subsequent to balance date that are material or unusual in nature that are likely to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years, other than those already disclosed in these financial statements.



Auditor's Independence Declaration

The company's lead 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

Sean Kelly - Chairman

Allan C Branch - Managing Director & CEO

Townsville, 7 March 2014

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DECLARATION OF INDEPENDENCE BY CRAIG JENKINS TO THE DIRECTORS OF KRUCIBLE METALS LIMITED

As lead auditor for the review of Krucible Metals Limited for the half-year ended 31 December 2013, 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, 7 March 2014

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Consolidated Statement of Profit & Loss and Other Comprehensive Income
for the half-year ended 31 December 2013

		Half-year December 2013	Half-year December 2012
	Notes	\$	\$
Revenue		11,933	9,313
Depreciation and amortisation expense		(8,995)	(14,845)
Share-based payment remuneration expense	5	-	(71,000)
Employment costs		(88,807)	(88,023)
Administration expenses		(292,304)	(286,088)
Transaction and funding costs	6	(63,161)	(119,562)
Impairment of capitalised exploration and evaluation costs	6	(4,271)	(89,709)
Loss before income tax		(445,605)	(659,914)
Income tax (expense)/credit		-	90,785
Loss after income tax		(445,605)	(569,129)
Other Comprehensive Income (net of tax)		-	-
Total Comprehensive Income (Loss)		(445,605)	(569,129)
		cents	cents
Basic earnings/(loss) per share		(0.55)	(0.84)
Diluted earnings/(loss) per share		(0.55)	(0.84)

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 2013**

		31 Dec 2013	30 June 2013
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		3,749,231	522,628
Non-current assets held for sale		3,921,545	3,635,167
Trade and other receivables		18,743	7,922
Total current assets		<u>7,689,519</u>	<u>4,165,717</u>
Non-current assets			
Trade and other receivables		105,000	87,500
Property, plant and equipment	8	118,053	29,614
Exploration and evaluation assets		1,890,098	1,724,485
Total non-current assets		<u>2,113,151</u>	<u>1,841,599</u>
Total assets		<u>9,802,670</u>	<u>6,007,316</u>
LIABILITIES			
Current liabilities			
Trade and other payables		389,839	132,880
Total current liabilities		<u>389,839</u>	<u>132,880</u>
Non-current liabilities			
Unearned Income	9	3,984,000	-
Total non-current liabilities		<u>3,984,000</u>	<u>-</u>
Total liabilities		<u>4,373,839</u>	<u>132,880</u>
Net assets		<u>5,428,831</u>	<u>5,874,436</u>
EQUITY			
Contributed equity	4	11,395,760	11,395,760
Option reserve	5	583,089	583,089
Accumulated losses		(6,550,018)	(6,104,413)
Total equity		<u>5,428,831</u>	<u>5,874,436</u>

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 2013

	Half-year December 2013	Half-year December 2012
	\$	\$
Cash flows from operating activities		
Cash paid to suppliers and employees	(479,195)	(538,291)
Interest received	11,933	10,988
R&D tax rebate	-	90,785
Net cash inflow/(outflow) from operating activities	(467,262)	(436,518)
Cash flows from investing activities		
Purchase of property, plant and equipment	(97,434)	(1,204)
Payment for exploration and evaluation assets	(477,601)	(304,042)
Receipt of (Payment for) security deposits	(17,500)	(2,500)
Proceeds (deposit & instalment) from asset sale (incl GST)	4,286,400	-
Net cash inflow/(outflow) from investing activities	3,693,865	(307,746)
Cash flows from financing activities		
Proceeds from issue of shares	-	262,325
Payment of share issue costs	-	-
Net cash inflow/(outflow) from financing activities	-	262,325
Net increase (decrease) in cash and cash equivalents	3,226,603	(481,939)
Cash and cash equivalents at beginning of period	522,628	753,318
Cash and cash equivalents at end of period	3,749,231	271,379

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 2013

	Note	Contributed Equity	Accumulated Losses	Option Reserve	Total
		\$	\$	\$	\$
Balance at 30 June 2012		10,531,532	(5,271,882)	446,989	5,706,639
Loss after income tax		-	(569,129)	-	(569,129)
Other comprehensive income (net of tax)		-	-	-	-
Total comprehensive income		-	(569,129)	-	(569,129)
Transactions with owners in their capacity as owners:					
Issue of shares		262,326	-	-	262,326
Share-based payment expense		(65,100)	-	136,100	71,000
Balance at 31 December 2012		10,728,758	(5,841,011)	583,089	5,470,836
Balance 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

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 2013

Note 1. CORPORATE INFORMATION

The half-year financial report of Krucible Metals Limited for the six months ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on XX March 2014 as required by the Corporations Act 2001.

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

The address of the registered office and principal place of business is set out in the Corporate Directory section at the front of this report.

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 2013 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 2013 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.

Application of the Going Concern Assumption

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

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 it derives revenue from. The Group does not have any products/services it derives revenue from.

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.



Notes to the Financial Statements
for the half-year ended 31 December 2013

Note 4. CONTRIBUTED EQUITY

	31 December 2013		30 June 2013	
	No.Shares	\$	No.Shares	\$
Share capital				
<i>Ordinary shares</i>				
Fully paid	80,370,695	11,395,760	80,370,695	11,395,760

Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue price \$	\$
30 June 2012	Closing balance		66,447,463		10,531,532
31 August 2012	Share Placement		1,993,423	0.08	162,236
28 November 2012	SPA Commitment Fee		1,139,241	-	-
-	Share issues costs		-		(65,100)
31 December 2012	Share Placement		1,470,588	0.068	100,000
31 December 2012	Closing		<u>71,050,715</u>		<u>10,728,758</u>
31 January 2013	Share Placement		1,587,302	0.063	100,000
11 March 2013	Share Placement		1,219,512	0.082	100,000
3 April 2013	Share Placement		3,758,200	0.076	287,500
8 April 2013	Share Placement		735,294	0.068	50,000
26 April 2013	Tenement acq		1,200,000	0.08	96,000
7 May 2013	Share Placement		819,672	0.061	50,000
-	Share issue costs		-	-	(16,498)
			<u>80,370,695</u>		<u>11,395,760</u>



**Notes to the Financial Statements
for the half-year ended 31 December 2013**

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 2012	Balance		<u>1,870,000</u>		<u>446,989</u>
16 July 2012	Director options	10	500,000	\$0.15	35,500
29 November 2012	Options issued		1,500,000	\$0.0434	65,100
30 November 2012	CEO options	10	500,000	\$0.15	35,500
27 November 2012	Options expired		(1,100,000)		-
16 December 2012	Options expired		(50,000)		-
30 June 2013	Balance		<u>3,220,000</u>		<u>583,089</u>
11 October 2013	Options expired		(150,000)		-
31 December 2013	Balance		<u>3,070,000</u>		<u>583,089</u>



Notes to the Financial Statements
for the half-year ended 31 December 2013

Note 6. EXPENSES

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

	Half-year December 2013	Half-year December 2012
	\$	\$
Joint Venture transaction and funding costs	(63,161)	(119,562)
Impairment of capitalized exploration and evaluation costs	(4,271)	(89,709)

The Transaction costs relate to the amounts incurred in executing the Sale & Purchase Agreement with Australia New Agribusiness & Chemical Group Limited in the 2013 half year period and in formulating the Heads of Agreement with Getax International Pte Ltd into a formal joint venture arrangement for the 2012 half year period. The funding costs which were only incurred in the 2012 half year period relate to amounts incurred in negotiating the Share Purchase Agreement with Bergen Global Opportunity Fund II.

On a six monthly basis the Company performs an impairment analysis of all exploration and mining tenements as required under AASB 6.

Note 7. INCOME TAX (EXPENSE)/ CREDIT

During the previous period the Company received a R&D tax rebate in relation to the 2011 tax year amounting to \$90,785. The 2012 R&D tax offset claim totaling \$230,581 was received in the period 1 January 2013- 30 June 2013 and the Company may lodge a claim for an R&D tax rebate in 2013 for activities preparing for its biogeochemical research activities.

Note 8. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2013	30 June 2013
	\$	\$
Field equipment		
At cost	83,303	83,303
Accumulated depreciation	(72,600)	(67,290)
Written down value	<u>10,703</u>	<u>16,013</u>
Computer equipment		
At cost	9,769	9,769
Accumulated depreciation	(8,893)	(8,490)
Written down value	<u>876</u>	<u>1,279</u>



Notes to the Financial Statements
for the half-year ended 31 December
2013

**Note 8. PROPERTY, PLANT AND
EQUIPMENT (cont)**

	31 Dec 2013	30 June 2013
	\$	\$
Office equipment & Furniture		
At cost	1,863	1,863
Accumulated depreciation	(1,029)	(894)
Written down value	<u>834</u>	<u>969</u>
Motor Vehicles		
At cost	176,075	79,256
Accumulated depreciation	(70,435)	(67,903)
Written down value	<u>105,640</u>	<u>11,353</u>
Total non-current property, plant and equipment	<u>118,053</u>	<u>29,614</u>

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 2013	30 June 2013
	\$	\$
Field equipment		
Carrying amount at beginning of financial year	16,013	28,421
Additions	-	717
Disposals	-	-
Depreciation	(5,310)	(13,125)
Carrying amount at end of financial year	<u>10,703</u>	<u>16,013</u>
Computer equipment		
Carrying amount at beginning of financial year	1,279	1,055
Additions	-	1,524
Depreciation	(403)	(1,300)
Carrying amount at end of financial year	<u>876</u>	<u>1,279</u>
Carrying amount at beginning of financial year	969	904
Additions	-	407
Depreciation	(135)	(342)
Carrying amount at end of financial year	<u>834</u>	<u>969</u>



Notes to the Financial Statements
for the half-year ended 31 December
2013

Note 8. PROPERTY, PLANT AND
EQUIPMENT (cont)

	31 Dec 2013	30 June 2013
	\$	\$
Motor Vehicles		
Carrying amount at beginning of financial year	11,353	24,946
Additions	97,434	-
Disposals	-	-
Depreciation	<u>(3,147)</u>	<u>(13,593)</u>
Carrying amount at end of financial year	<u>105,640</u>	<u>11,353</u>

Note 9. UNEARNED INCOME

The Company received a deposit of \$960,000 on signing of the SPA with ANB on 27 May 2014. In addition the Company received an instalment of \$3,024,000 towards the final purchase consideration on 20 December 2013 as part of an agreement by Krucible to defer the Completion to 16 January 2014. At the time of receiving the instalment the Company commenced transferring the tenements subject to the SPA to ANB with the Korella ML 90209 lease being transferred, subject to a first ranking mortgage. This instalment and the deposit were non-refundable if ANB defaulted at Completion.

The total receipts of \$3,984,000 have been treated as Unearned Income at 31 December 2014 as the SPA was not unconditional and the Company had not gained control of these funds. See Note 13- Events Subsequent to Balance Date for details of the Completion of this transaction on 16 January 2014.

Note 10. RELATED PARTY TRANSACTIONS

There have been no material changes to related party transactions since the last annual reporting date, 30 June 2013.

Comparative half year period:

In July 2012, M R Leonard and R L Koenig (or related entities) were each granted 250,000 share options exercisable at 15 cents and expiring on 8 May 2015. This grant was approved by shareholders at an EGM.

In December 2012, A C Branch (or a related entity) was granted 500,000 share options exercisable at 15 cents and expiring on 8 May 2015 under the Long Term Incentive Plan. This grant was approved by shareholders at the AGM.



Notes to the Financial Statements
for the half-year ended 31 December 2013

Note 11: 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 2013 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 12. CONTINGENT ASSETS AND LIABILITIES

There have been no changes in contingent liabilities or contingent assets since the last annual reporting date, 30 June 2013.

Note 13. EVENTS SUBSEQUENT TO BALANCE DATE

ANB

On 16 January 2014, the Company successfully completed the sale of its phosphate tenements to ANB under the terms of the amended SPA. In line with the Deed of Amendment to the SPA, ANB paid \$9,225,700 (including GST of \$838,700) to Krucible, being the remainder of the purchase price totalling \$12,371,000 (excluding GST). Krucible has also been reimbursed for the security deposits attached to the tenements as they transfer to ANB, and for certain expenses associated with maintaining the tenements in good stead until the Completion Date.

All granted EPMs and the Korella mining lease were transferred to ANB, while EPM 19090 known as Lily Hole and which is still in its notification period, will be maintained by Krucible until it is granted and transferred to ANB.

The estimated profit on sale (before tax) in relation to the phosphate tenements sold to ANB totals approximately \$8.5m. Krucible has contracted expert tax accounting advice to ensure the Group's corporate tax position is optimised. For example this advice will consider whether the Group is able to apply unrecognized deferred tax assets for unused carried forward tax losses against the capital gain arising under the transaction.



Notes to the Financial Statements
for the half-year ended 31 December 2013

Note 13. EVENTS SUBSEQUENT TO BALANCE DATE (CONT)

Tenement Changes

Krucible applied for EPM25487 (Mosses Bore) on the 9th January 2014. This is expected to be granted mid to late 2014 under the new Queensland Government processing system. Krucible has also applied to abandon EPM15831 (GE1) on the 24th January 2014. This EPM was considered low priority based on Krucible interpretations of geophysical and geological data.

Bonus Options Offering

On 24 January 2014, Krucible announced that it was issuing free bonus options pro-rata to eligible shareholders on the basis of one free option for every four shares held. The options, which are being issued at no cost, have an exercise price of \$0.05 and will expire on 23 January 2016. A prospectus for this bonus issue is currently being prepared and is expected to be lodged with ASIC in early March 2014 prior to being issued to shareholders.

There are no other events that have occurred subsequent to balance date that are material or unusual in nature that are likely to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years, other than those already disclosed in these financial statements.

Note 14. SUBSIDIARY COMPANY

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

Korella was incorporated for the purposes of applying for the mining lease on the Company's Phosphate Hill South project and proceeding with the trial mining, feasibility studies and possible development of future phosphate mining operations.

On 16 August 2012, the Queensland Department of Natural Resources and Mines granted Mining Lease 90209 for a term of 21 years.

This Mining Lease was sold to ANB on 16 January 2014 and the subsidiary company is now dormant- see Note 13 for details of the sale transaction.



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 2013 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:

Sean Kelly
Chairman

Allan C Branch
Managing Director & CEO

Townsville: 7 March 2014

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 2013, the consolidated statement of profit & 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 2013 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.

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 2013 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, 7 March 2014

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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 based on information compiled by Mr Andrew J Vigar a competent person who is a Fellow of The Australasian Institute of Mining and Metallurgy and is employed by Mining Associates Limited, Hong Kong. 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 consents to the inclusion in this report of the matters based on his information in the form and context in which it appears”.

The analytical results quoted for the exploration results have been supplied by ALS Chemex Laboratories utilising specialist analysis methods based on the elements required to report results.

This report may contain forward-looking statements. Any forward-looking statements reflect management’s current beliefs based on information currently available to management and are based on what management believes to be reasonable assumptions. A number of factors could cause actual results, or expectations to differ materially from the results expressed or implied in the forward looking statements.

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