

**Krucible Metals Limited**

ABN 12 118 788 846

Financial Statements for the year ended 30 June 2014

# Krucible Metals Limited

## Corporate Directory

### Board of Directors

Sean Kelly – Non-Executive Chairman

Allan C Branch – Managing Director & CEO

Ray L Koenig – Non-Executive Director

Andrew J Vigar- Non-Executive Director & Competent Person

**Company Secretary-** Michael C Meintjes

### Registered Office

Krucible Metals Limited

C/O Coutts Redington Accountants

The Plaza Shop 4, 278 Ross River Road,  
Aitkenvale QLD 4814.

Australia

### Principal Place of Business

Krucible Metals Limited

1/68 Railway Avenue

Railway Estate

Townsville QLD 4810

Australia

Telephone: (07) 4772 5880

Facsimile: (07) 4772 4999

Website: [www.kruciblemetals.com.au](http://www.kruciblemetals.com.au)

### Auditors

BDO Audit Pty Ltd

Level 10, 12 Creek Street, Brisbane QLD 4000, Australia

Telephone: (07) 3237 5999

Facsimile: (07) 3221 9227

Website: [www.bdo.com.au](http://www.bdo.com.au)

### Share Registry

Boardroom Pty Limited

123 Eagle Street, Brisbane, QLD 4000, Australia

Level 7, 207 Kent Street, Sydney NSW 2000, Australia

Telephone: (02) 9290 9600

Free Call: 1300 737 760

Facsimile: (02) 9279 0664

Website: [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

### Home Exchange

Australian Securities Exchange Ltd (ASX) ASX code **KRB**

Exchange Centre, 20 Bridge Street, Sydney NSW 2000, Australia

# Krucible Metals Limited

## Directors' Report 2014

Krucible Metals Ltd ("the Company" or "Krucible") is an Australian company listed on the Australian Securities Exchange Limited (ASX) with code KRB. The Company has a wholly owned subsidiary, Korella Phosphate Pty Ltd which collectively forms a consolidated group ("Group").

The Directors present their report together with the financial statements of the Company and Group for the year ended 30 June 2014 and the auditor's report thereon.

### Directors

The directors of the Company and Group at any time during the financial year and until the date of this report are as below. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

#### **Sean Kelly LL.B. – Non-Executive Chairman**

Appointed 9 May 2012

Sean Kelly is a solicitor admitted to practise in the Supreme Court of Queensland and the High Court of Australia. Since 2002 Sean has held the position of commercial litigation partner for the long established and respected Townsville based legal firm, BCK Lawyers.

With extensive experience in all facets of litigation and a particular emphasis on advocacy, Sean regularly appears in court including the Supreme Court of Queensland and the Queensland Court of Appeal where he has been personally involved in a number of reported decisions. Sean also has extensive experience in mediation and negotiation.

Sean is a registered adjudicator under the Building and Construction Industry Payments Act 2004 and determines disputes that are referred to him under that legislation. Sean's interest in building and construction law has also meant that he has developed extensive experience in drafting, negotiating and finalising joint venture agreements for his clients.

For over a decade Sean has acted for the Department of Transport and Main Roads and has been involved in the negotiation and preparation of complex engineering and infrastructure agreements under the Integrated Planning Act 1997 / Sustainable Planning Act 2009 and agreements under the Mineral Resources Act 1989.

#### **Allan Branch PhD, MBA (CMU) – Managing Director & CEO**

Appointed 1 May 2012

Dr Branch has considerable experience in the mining and resources sector including transformational projects with Krucible Metals, Creat Resources Holdings and Minecom International. Dr Branch is also on the Executive Council of the Association of Mining and Exploration Companies (AMEC) and the Queensland Advisory Council. He has worked underground with Bendigo Gold, his analysis of global rare earth pricing dynamics has received international attention and in 2011 Allan delivered the inaugural workshop on corporate governance for the Chinese Chamber of Commerce for the Private Sector in Beijing.

Allan has an extensive background working in the executive management teams and corporate governance structures of companies listed on several international stock

## Krucible Metals Limited Directors' Report 2014

markets, including ASX, CAC40, NASDAQ, NYSE, and AIM. They include Chromogenex (UK), Elchrom Scientific (Zurich), Tomy Corp (Japan), Denning (USA), Moulinex (France), Commodore (USA).

Allan founded several entrepreneurial companies (Branch & Associates, Flexible Systems, Minex) which went on to international prominence and he is a recognised leader in creating industrial automation technology. In 1989-90 he was Invited Visiting Scientist at Carnegie Mellon University's Field Robotics Center. He has managed or consulted to governments, royal societies, universities, Fortune 50 companies and institutions like Colorado School of Mines, GE, GM, NASA and CSIRO, however in recent years Allan has honed this experience to the special needs of smaller, early-stage companies where his skill is in rapidly increasing investor wealth through focused commercial initiatives.

### **Ray Koenig AusIMM Chartered Professional, FAusIMM – Non-Executive Director**

Appointed 9 July 2009

Ray has 46 years' experience in the mining industry in managerial roles in operations and in the engineering and construction sector. These roles have included the development of a number of major projects from greenfield to on-going operations in base metals, gold, industrial minerals, coal and iron ore.

He currently consults in project management and metallurgical design. Previously he developed and led the GHD mining group in Brisbane and developed the group as a significant business with a \$100 million per year turnover.

Prior to joining GHD, Ray was the General Manager for Australian Magnesium Corporation at Gladstone in Central Queensland and was engineering manager for QMAG, from feasibility to production of refractory magnesia, the only project of its type operating in Australia. During the 1980's Ray was the Chief Metallurgist for Fluor Australia where his projects included feasibility studies and design and developments for Olympic Dam, Selwyn Copper, Hilton lead zinc concentrator and developments at Robe River and Channar iron ore.

During his time with Savage River Mines he started as Project Metallurgist and then moved to Chief Metallurgist and Agglomeration and Harbour Superintendent. In the latter role he managed the pellet plant and shipping operation for the 2.5 million tpa of iron ore pellets produced from the Savage River magnetite concentrate.

While with Fluor, Ray was a director of its Australian exploration subsidiary: St. Joe Australia.

Ray brings invaluable technical and project management experience to Krucible's Board as the Company progresses with its exploration and mining plans. He is also an AusIMM Chartered Professional in the metallurgical field.

# Krucible Metals Limited

## Directors' Report 2014

### **Andrew Vigar BSc (App. Geo.), FAusIMM, MSEG – Non-Executive Director**

Appointed 23 May 2014

Andrew has 34 years of experience in the minerals industry covering areas from regional exploration to mining, corporate and finance. He held Company positions with Utah, Emperor, WMC and CRAE prior to commencing consulting in 1996 as Vigar & Associates which became part of SRK Consulting where he built and managed the Brisbane practice. He left SRK in 2003 to pursue a range of mining related interests, including the formation of Mining Associates, Forum Pacific and the Brisbane Mining Club and founded the ASX listed Drummond Gold in 2007. He returned to Mining Associates as a Director in 2009.

Andrew has been working on uranium projects for more than 15 years across a wide range of deposits in the Australasia/Pacific area and is recognised by the AusIMM as a Competent Person and independent technical advisor. This has focused on exploration support, deposit geology, ore body modelling, resource and reserve estimation for project development. Andrew is aware of, and experienced in, the specialist skill areas required for operation in the uranium industry.

He was a national councillor of the AusIMM in 2000 and Chairman of the International Mine Geology 2000 and 2003 conference committees. He is the past Chairman and current member of the AusIMM Geoscience Committee. He is the Chairman of the Brisbane Mining Club.

### **Company Secretary**

#### **Michael Meintjes BCom (Hon), ACA, GradDipAppFin**

Appointed 8 August 2012

Michael Meintjes (Mike) has significant experience in public company financial reporting and compliance with more than 29 years of experience in professional services including 25 years of experience in the Australian resources sector. He has extensive knowledge in risk management, corporate governance, audits and due diligence in accounting and commercial acquisition scenarios including IPO's.

Mike was previously a partner of Ernst & Young Australia and is currently also the Company Secretary for Alligator Energy Limited (ASX:AGE).

Mike has a Bachelor of Commerce with Honours from the University of Cape Town, is an associate member of the Institute of Chartered Accountants in Australia and Graduate Diploma in Applied Finance (FINSIA).

His industry experience has primarily been with mining and metals, oil and gas and mining services sectors in both Australia and overseas. During his professional services career he was an advisor to a number of ASX listed companies including a number in the exploration and evaluation phase.

# Krucible Metals Limited

## Directors' Report 2014

### Principal Activities

The principal activities of the Group during the financial year were:

- (a) the acquisition of exploration tenements and the carrying out of mineral exploration activities on those tenements;
- (b) culmination of plans and negotiations to develop or monetise the assets of the Company including the Korella high-grade rock phosphate deposit
- (c) conducting market and economic research, participating in new low-cost processing technology, and entering into plans and negotiations to monetise the rare earth assets of the Company including the Coorabulka and Valroy occurrences; and
- (d) conducting plans and negotiations to enter into joint ventures, mergers, acquisitions or other arrangement with appropriate third parties towards growth of the Company.

There were no significant changes in the principal activities during the year.

### Operating Results

The net operating profit of the Group was \$6,813,982 (compared with 2013: loss \$832,530)

### Operating and Financial Review

#### a) Operations

Krucible is a Junior Explorer in the high-risk, high-reward Australian mining industry. Juniors are the critical front-end to the mining industry with the highest risk and as such the Company's Business Model is specific to this sector.

The company has 15 tenements including 12 granted tenements and 3 applications (1 subsequent to this period), all in Queensland except 1 tenement in the Northern Territory adjacent to the Queensland border and which is proximal to our Diamantina activities. The total number of tenements at the end of the period has been reduced by the 12 that were sold to Australian New Agribusiness and Chemical Group Limited (ANB) (formerly Daton Group Australia Limited).

For the most part, the Company's exploration tenements are primarily greenfields and in sites near to proven mining activities in interpreted prospective geological zones but which are underexplored. This has proven successful with discoveries of phosphate adjacent to the long-term Phosphate Hill mine, rare earths on several tenements, and signs of copper and other metals at others. Extensions to discoveries were announced in the reporting period at Coorabulka and Valroy, existing sites have been further delineated and assessed for prospectivity, aerial and ground surveying has been conducted, drilling has started in the Diamantina region, and phytogeochemical research trials have been conducted on selected tenements.

# Krucible Metals Limited

## Directors' Report 2014

### b) Operating Profit

Key financial highlights relating to the 2014 financial year include the following:

- 🔥 Profit on sale of phosphate tenements: \$8,470,537
- 🔥 First ever net profit after tax for the company: \$6,813,982
- 🔥 Total employment costs only increased marginally: \$11,350
- 🔥 Increase in interest received: \$173,310
- 🔥 Net assets increased by 216%
- 🔥 Cash balance at year including monies on terms deposits > 3months: \$10,929,959
- 🔥 First ever real asset holding of \$519,018
- 🔥 First ever listed options issued to existing shareholders

An operating profit after tax was generated for the first time in the Company's history. This result was achieved through the closure in January 2014 of a transaction to sell the Company's phosphate interests to Australian New Agribusiness and Chemical Group Ltd for a profit of \$8,470,537. In the prior year the Company incurred an operating loss as a result of progressing negotiations to sell the phosphate interests and continued exploration activities on its remaining tenements.

It should be noted however that over the exploration cycle of a junior explorer like Krucible, this income from the asset sale reflects in part the recovery of sunk exploration and corporate costs over this period. Krucible raised approximately \$11,000,000 in the period from November 2007 (when it floated on the ASX), till November 2013, a period of 6 years. The net result at 30 June 2014 after expending these funds on exploration and corporate overheads and then selling the phosphate assets is a small retained profit of \$709,569.

The Group also incurred non-recurring expenditure totalling \$91,254 (2013: \$145,333 including an element of financing related costs) during the year on sale transaction activity. The majority of this expenditure related to legal costs in finalisation of the sale transaction.

The Group's overall employment costs and administrative overheads at \$887,979 remained consistent with the prior year but there was a drop in the impairment write down on the exploration and evaluation costs capitalised on the retained tenements due to reduced exploration in the 2013 calendar year (2014: \$30,979; 2013: 229,196).

The Group's interest revenue increased by \$173,310 during the financial year due to the higher cash balances from the phosphate sale proceeds.

The Group was able to use brought-forward tax losses to reduce the tax liability on the sale of the phosphate assets. The tax expense of \$900,849 comprises an estimated tax liability to the ATO of \$301,436 and deferred tax movements of \$599,413.

# Krucible Metals Limited

## Directors' Report 2014

### c) Financial Position

Net assets increased by 216% during the financial year. This is principally as a result of finalising the sale of the phosphate interests and investing the proceeds in a mixture of short and long term deposits.

Cash balances at 30 June 2014 had increased by \$10,407,331 with a holding of \$10,929,959. The funds have been invested, on a mixture of short and long term, in term deposits with financial institutions holding sound credit ratings and at high interest rates negotiated specifically.

The Group has recently acquired a property in Boundary Street in Townsville which will be refurbished and used for offices and storage of mineral samples. The acquisition cost is recorded in property, plant and equipment at 30 June 2014 and totals \$ 519,018.

The company also acquired two new vehicles during the financial year for an amount of \$95,909. The acquisition was then refinanced through securing a leasing arrangement with repayments to occur over a period of four years with no residual. The outstanding lease liability recorded as borrowings in the Statement of Financial Position at 30 June 2014 totalled \$87,886.

In January 2014 the Company announced the offer of bonus options to shareholders on a 1:4 basis. This issue was completed in March 2014 with the options exercisable at 5 cents over the period to 23 January 2016. At 30 June option-holders had applied and been issued ordinary shares for a total sum of \$1,960. Assuming all option-holder apply to exercise their options a further \$955,802 will be raised in share capital.

### d) Business strategies and prospects for future financial years

#### i. Core Business Activities

Krucible is a successful and financially secure junior resources company with an enviable history of discovery in phosphorus and heavy rare earth elements plus a proven ability to commercialise its discoveries. Listed on Australia's main stock exchange since November 2007, Krucible continues to explore for precious metals, base metals and especially strategic metals like strontium, molybdenum, rare earths and phosphate. With recent interest in graphite and tungsten, these have been added to Krucible's area of interest.

Krucible's business operations consist of three focus areas:

1. Exploration specifically in the Mount Isa and Diamantina regions of Queensland.
2. Rare Earths resource development and commercialisation.
3. Mergers and Acquisitions related to potential mining developments linked to the above strategies.



## Krucible Metals Limited Directors' Report 2014

### ii. Exploration Strategy

Krucible holds 12 granted tenements and 2 current applications. Tertiary (EPM19717) was granted in May 2014 and Lily Hole Creek (EPM19090) is under caretaker mode on behalf of ANB and title will be transferred in due course.

Of the 12 granted tenements retained after selling the Company's phosphate assets, 10 are greenfield sites and 2 are known tenements where we have conducted prior work (Toomba EPM15367 and Squirrel Hills EPM15354)

Given the newness of the tenements, extensive field work has been conducted on 8 of the 10 greenfield sites in a systematic and scientific exploration program to best identify potential drill targets. This work has included our first geophysical aerial survey of Tobermorey in July 2014 (subsequent to this reporting period) with base metal targets identified. Modelling of ground and magnetic data from Coorabulka occurred in May 2014. As well as identifying areas of interest and potential drilling targets at Tertiary and Cowie Mag.

This widespread and systematic work on almost all of our tenements over the last few months has resulted in the identification of previously unknown drill targets and drilling started just outside of the current reporting period in September 2014 at Tobermorey with Toomba and Kamaran Downs next.

### iii. Rare Earths Commercialisation Strategy

Following the dramatic increase in the price of rare earths in 2011, Krucible invested significant time and money in the exploration, discovery and development of its rare earths activities. That work was successful with results reported for Korella, Yttrro, Coorabulka and Valroy (ASX announcements: 28 February 2011, 11 January 2012, 19 April 2012, 5 June 2014). Recent field work has expanded the results from both Coorabulka and Valroy (ASX announcement: 17 July 2014). In January 2014, Krucible sold Korella and Yttrro in a package to ANB, but retained first right of refusal to any joint venture to develop the non-phosphate minerals on those tenements.

The prices of rare earths have subsequently returned to pre-2011 levels and Krucible has developed an innovative strategy to capitalise on its discoveries. The Company has conducted pricing research to understand the dynamics shaping rare earth prices and has continued the bench top research into alternative low cost rare earth processing technology. Those initiatives, along with the extended discoveries at Coorabulka and Valroy, have been presented at several international rare earth conferences during the current reporting period, with the objective of identifying interested third parties to participate in the development of our rare earths.

The phosphate and rare earth resource at Korella is JORC inferred and Krucible has held recent discussions with ANB towards a joint exercise to accelerate plans to mine and process that ore. Krucible's objective is to use its knowledge of pricing pressures, access to low cost processing technology, with

## Krucible Metals Limited

### Directors' Report 2014

access to Korella initially because it sits immediately on existing infrastructure including rail, road, airport, camp, gas, electricity and communications. If this plan is successful, it brings Krucible to the forefront of a small number of rare earth companies vying to enter this critical industry sector.

#### iv. Mergers and Acquisitions Strategy

Krucible has an active Merger and Acquisition strategy (M&A). The Company intends to acquire an existing producer with current revenues in a scrip deal (to avoid using Krucible cash reserves), in order to bring ongoing revenues into Krucible. The Company has advised the market of this strategy, (ASX announcement 16 October 2013 Annual Report).

To date Krucible has conducted a search, analysis and review of some 40 companies resulting in negotiations with and or offers to a handful, including formal offers to 2 companies through this current reporting period, but so far with no completed deal.

#### e) Administration and organisational

Krucible has a strategy of being both a miner and an explorer, in order to be self-sustaining. Consequently our internal organization contemplates that dual role with appropriate allocation of facilities for expansion. Staff training and development, increased stretch targets with empowerment and generous rewards, and improved work facilities for staff are key Company policies. The Company ensures the best possible facilities, equipment and resources for staff to perform their duties.

Krucible is proud to be an equal opportunity workplace with 50% female staff overall. There are as yet no females on our board of directors and no indigenous Australians on the board or on staff.

#### f) Exploration and Evaluation Potential

Certain capitalised exploration and evaluation expenditures associated with recent drilling programs on the Company's copper/gold tenements has been expensed in the current year although further analysis of other prospective areas on these EPMs will occur before a decision to surrender occurs.

### Dividends

No dividends have been paid or declared by the company since the end of the previous financial period and no dividend will be paid for the current financial year.

# Krucible Metals Limited

## Directors' Report 2014

### Options

At the date of this report the listed and unlisted and unexercised options over ordinary shares of the Company were:

Number	Type	Exercise price	Expiry date
<b>Listed</b>			
19,116,040	Bonus	5 cents	23 January 2016
<b>Unlisted</b>			
270,000	Employee	24 cents	12 August 2014
300,000	Employee	15 cents	28 February 2015
500,000	Director	15 cents	8 May 2015
500,000	Directors	15 cents	8 May 2015
1,500,000	Other	11.96 cents	28 November 2015

During the financial year 19,155,232 listed bonus options were issued to shareholders on a 1:4 basis.

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

### Environmental Regulation

The company's operations are subject to significant environmental regulation principally under the provision of the Mineral Resources Act (1989) (MRA), the Code of Practice on Environment Management for Exploration Permits and Mineral Development Licences and the Environmental Protection Act (1994) (EPA). The company believes it has met its obligations in all areas.

### Significant changes in the state of affairs

Other than as disclosed in this report, in the opinion of the directors there were no significant changes in the state of affairs of the company during the financial year under review.

### Events subsequent to balance date

Subsequent to year end the Group secured mortgage finance for the recently acquired property at Boundary Street in Townsville. The amount drawn-down under this arrangement amounted to \$325,000. The mortgage loan is secured over the property and is for a period of five years at a fixed interest rate of 6.43%p.a.

The Group received an R&D Offset refund relating to the 2013 tax year on 3 September 2014 in the amount of \$90,747. The R&D Offset amounts are only recognised by the Company at the time of receipt.

Some exploration activities such as the phytogeochemical research is been conducted past the current reporting period and some such as drilling at Toomba were initiated subsequent to the current reporting period.

## Krucible Metals Limited

### Directors' Report 2014

On 11 September 2014 the Company received an s249D Notice from a shareholder. The Notice requested a general meeting of members to consider the following resolutions:

1. Removal of Mr Allan Branch as a director;
2. Election of Dr Leon Eugene Pretorius as a director; and
3. Payment of a 5 cents per share dividend.
4. A Notice of Meeting will need to be issued within 21 days of this shareholder request and the meeting held within 2 months.

There are no other events that have occurred subsequent to year end that are material or unusual in nature that are likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

### Meetings of Directors

The table below sets out the number of meetings of directors held during the year ended 30 June 2014 and the number attended by each director:

Director	Meetings eligible to attend	Meetings attended
S Kelly	7	7
A C Branch	7	7
R L Koenig	7	7
A J Vigar	1	1

There were no separately constituted meetings of the Corporate Governance and Audit and Risk Management during the financial year. Owing to the limited size of the Board and the Company and its operations, these are combined with the normal Board Meetings of the Company.

The table below sets out the number of meetings of the remuneration committee held during the year ended 30 June 2014 and the number attended by the independent directors:

Director	Meetings eligible to attend	Meetings attended
S Kelly	2	2
RL Koenig	2	2
AJ Vigar	0	0

# Krucible Metals Limited

## Directors' Report 2014

### Remuneration Report (Audited)

This remuneration report, set out under the following main headings, has been audited:

- (a) Remuneration policy
- (b) Service contracts
- (c) Remuneration details
- (d) Share based payments
- (e) Other transactions with KMP and their related parties

#### (a) Remuneration Policy

A separate Remuneration Committee has been established for considering and making recommendations on executive and consultant remuneration packages. The full Board is charged with the duties of considering and approving recommendations from management concerning non-executive director remuneration.

- (i) The Board and the Remuneration Committee determines the remuneration policy in such a way that it:
  - motivates directors and management to pursue the long-term growth and success of the Company within an appropriate control framework; and
  - demonstrates a clear relationship between key executive performance and remuneration.
- (ii) In performing its role, the Board and the Remuneration Committee is required to ensure that:
  - the remuneration offered is in accordance with prevailing market conditions, and that exceptional circumstances are taken into consideration;
  - contract provisions reflect market practice; and
  - if targets and incentives are set they are based on realistic performance criteria.
- (iii) The Board and the Remuneration Committee will also:
  - overview the application of sound remuneration and employment practices across the Company; and
  - ensure the Company complies with legislative requirements related to employment practices.

All remuneration paid to directors and executives is valued at cost to the company and expensed or capitalised (where exploration related). Shares issued to directors or executives are valued at the difference between the market price of the shares and the amount paid by the recipient. Options are valued using the Black-Scholes model.

Fees paid to non-executive directors are considered by the Board based on market rates for time, commitment and responsibility. These are reviewed regularly by the Board and independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to shareholder approval and is currently set at \$200,000 per annum.

## Krucible Metals Limited

### Directors' Report 2014

To further align directors' interests with those of shareholders and in order to provide a reward for performance and to enable directors and key employees to participate in future Company success, the Company utilises a Long Term Incentive Plan and may issue options or performance rights to directors subject to shareholder approval. Details of options issued during the financial year are provided below.

Other than the alignment between company performance and remuneration provided by the issue of options to directors as part of their remuneration, there were no other performance conditions set as part of director remuneration.

The Company has not used remuneration consultants during the year.

#### **Relationship between the Remuneration Policy and the Company's performance**

The Company has previously focussed on refinancing through a difficult economic climate, and is now focused on driving sustained growth in shareholder wealth, principally through mineral exploration, commercialisation of discoveries and joint ventures with or acquisition of revenue generating mining operations, each designed to increase the share price.

The mineral discovery focus of the Company is based on exploration and evaluation activities with the objective of proving up a resource that can be commercialised through development, joint venture or sale. Consequently there are sustained periods where a net operating loss is incurred. In the current year one of the objectives of the Company's strategy was met through the finalisation of the sale of the phosphate tenements resulting in an operating profit before tax of \$7.7m.

Comparison of the operating profit/loss and the year-end share price for the previous five years is set out in the table below:

<b>Financial Year</b>	<b>Net Operating Profit/(Loss)</b> <b>(\$)</b>	<b>Share price at year end</b> <b>(\$)</b>
30 June 2014	6,813,982	0.049
30 June 2013	(832,530)	0.057
30 June 2012	(2,217,396)	0.077
30 June 2011	(1,536,726)	0.205
30 June 2010	(571,174)	0.31

No dividend was paid or share capital returned during the year. Loyal shareholders were however rewarded with a bonus 1: 4 option issued in March 2014.

For details of the company's activities during the year, refer to the Operational and Financial Review section above in this report.

The following persons acted as Directors during the financial year and are considered to be key management personnel (KMP) of the company for the purposes of this report:

- S Kelly – Non-Executive Chairman (Appointed Chairman -1 November 2012)
- A C Branch – Managing Director & CEO

## Krucible Metals Limited Directors' Report 2014

R L Koenig – Non-Executive Director

A J Vigar – Non-Executive Director (Appointed 23 May 2014)

In addition the Company Secretary, who is also the principal financial advisor to the Company, is regarded as a KMP.

M C Meintjes – Company Secretary & CFO

There were no other key management personnel or executives of the Company during the financial year.

### (b) Service Contracts

The employment conditions of the Managing Director & CEO and the Company Secretary in office for the financial year have been formalised in contracts as follows:

Name	Position	Agreement Type	Duration	Termination notice period
A C Branch	Managing Director & CEO	Consultancy Agreement	36 months from commencement on 1 May 2012	3 months
M C Meintjes	Company Secretary	Consultancy Agreement	No fixed term	4 weeks

On termination, directors are entitled to receive their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. No other termination benefits are payable.

Contracts do not provide for pre-determined compensation values. Compensation is determined in accordance with the remuneration policy set out above. The manner of payment is considered on a case by case basis and is generally a mix of cash and non-cash benefits.

Remuneration of the Managing Director & CEO is by way of consulting fees paid to International Organics Pty Ltd (a company associated with A C Branch) for the services provided to the company at a rate of \$18,500 (excluding GST) per month commencing on 1 May 2012 and subject to market rate reviews. Effective 1 March 2014, the Board approved an increase in the monthly consulting fee payment to \$21,000 (excluding GST) based on analysis of CEO remuneration for comparable listed exploration companies. Fees paid to Tasmanian Organics Pty Ltd during the financial year totalled \$254,200 (2013: \$222,607) excluding GST and have been included in the remuneration report. The services contract also required the issuance of 500,000 options to the Managing Director & CEO under the Long Term Incentive Plan. Shareholder approval was obtained for the issuance of these options at the 2012 Annual General Meeting and the options were subsequently issued.

Remuneration of the Company Secretary is by way of fees paid for secretarial, accounting and administration services provided to the Company and invoiced on an hourly basis. Fees paid to M C Meintjes during the financial year totalled \$52,978 (2013: \$62,935) excluding GST.

## Krucible Metals Limited Directors' Report 2014

In addition R L Koenig, a Non-Executive Director, provides technical consulting services which are invoiced to the Company by Koenig Consulting Pty Ltd (a company associated with R L Koenig) on an hourly basis. Fees paid to Koenig Consulting Pty Ltd during the financial year totalled \$9,022 (2013: \$7,965) excluding GST. A significant portion of this expenditure was involved in assisting with the R&D Offset application. The total amount has been included in the Remuneration Report, together with the non-executive directors' fees for the year of \$36,603 (2013:\$25,000).

### (c) Remuneration Details

**The remuneration total for the reporting period was markedly less than for the previous period: \$429,952 for 2014 versus \$479,523 for 2013.**

2014 Directors	Short term benefits			Post employe nt benefits	Share based payments	Total	% Total issued as options	% Total performance related
	Salary & Fees	Cash bonus	Non- cash benefit	Super - annuation	Options			
	\$	\$	\$	\$	\$	\$	%	%
S Kelly	55,000	5,500	-	5,596	-	66,096	-	8.3%
A C Branch	231,823	22,200	-	-	-	254,023	-	8.7%
R L Koenig	45,625	3,660	-	3,724	-	53,009	-	6.9%
A J Vigar	3,520	-	-	326	-	3,846	-	-
M C Meintjes	48,321	4,657	-	-	-	52,978	-	8.7%
<b>TOTAL</b>	<b>384,289</b>	<b>36,017</b>	<b>-</b>	<b>9,646</b>	<b>-</b>	<b>429,952</b>	<b>-</b>	<b>8.3%</b>

The cash bonus paid in 2014 to all key management personnel, was discretionary based on the successful completion of the asset sale transaction and was not linked to assessment against specific performance criteria. Consequently, no amount of the proposed bonuses were forfeited.



Krucible Metals Limited  
Directors' Report 2014

2013 Directors	Short term benefits			Post employe nt benefits	Share based payments	Total	% Total issued as options	% Total performance related
	Salary & Fees	Cash bonus	Non- cash benefit	Super - annuation	Options			
	\$	\$	\$	\$	\$	\$	%	%
S Kelly	44,838	-	-	3,750	-	48,588	-	-
A C Branch	222,607	-	-	-	35,500	258,107	13.8	-
R L Koenig	32,965	-	-	2,250	17,750	52,965	33.5	-
M Leonard	16,666	-	-	1,500	17,750	35,916	49.4	-
D Lovell	20,225	-	-	787	-	21,012	-	-
M C Meintjes	62,935	-	-	-	-	62,935		-
<b>TOTAL</b>	<b>400,236</b>	<b>-</b>	<b>-</b>	<b>8,287</b>	<b>71,000</b>	<b>479,523</b>	<b>14.8</b>	<b>-</b>

No element of remuneration is dependent on the satisfaction of a performance condition.

**(d) Share based payments**

**2014 Financial year:**

No options were issued as part of remuneration to the key management personnel during the 2014 financial year and no KMP options expired during the year.

The directors did not exercise any options during the 2014 financial year.

**2013 Financial year:**

250,000 director options were granted and immediately vested to both M Leonard and R Koenig on 16 July 2013 after approval by shareholders at an Extraordinary General Meeting. The options expire on 8 May 2015 and are exercisable at \$0.15. Each option was valued at \$0.071 at grant date.

500,000 options under the Long Term Incentive Plan were granted and immediately vested to A Branch on 3 December 2013 after approval by shareholders at the Annual General Meeting. The options expire on 8 May 2015 and are exercisable at \$0.15. Each option was valued at \$0.071 at grant date.

1,100,000 director options expiring on 27 November 2012 exercisable at \$0.50 lapsed during the 2013 year. The fair value at the date of issue of the lapsed options was assessed as being \$183,700.

The directors did not exercise any options during the 2013 financial year.

# Krucible Metals Limited

## Directors' Report 2014

### **Additional disclosures on equity holdings relating to KMP**

#### **Shareholding**

The number of shares in the Company held during the financial year by each director and other members of the key management personnel of the Group, including their personally related parties, is set out below:

Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
S Kelly	283,645	-	-	-	283,645
A Branch	-	-	-	-	-
R Koenig	180,556	-	-	-	180,556
A Vigar	-	-	-	-	-
M Meintjes	-	-	-	-	-
<b>Total</b>	<b>464,201</b>				<b>464,201</b>

#### **Options**

The number of options in the Company held during the financial year by each director and other members of the key management personnel of the Group, including their personally related parties, is set out below:

Options	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
S Kelly	-	-	-	-	-
A Branch	500,000	-	-	-	500,000
R Koenig	250,000	-	-	-	250,000
A Vigar	-	-	-	-	-
M Meintjes	-	-	-	-	-
<b>Total</b>	<b>750,000</b>				<b>750,000</b>

#### **(e) Other transactions with KMP and their related parties.**

Andrew Vigar is the principal of Mining Associates and is engaged by the company to perform the role of Competent Person. Fees paid to Mining Associates since his appointment to the Board on 23 May 2014 total \$3,000.

***This is the end of the remuneration report***

# Krucible Metals Limited

## Directors' Report 2014

### Directors Interests in Shares and Options of the Company

The directors had the following interests in shares and options in the Company at the date of this report:

Director	Ordinary shares	Options \$0.15 (Expiry 8 May 2015)
S Kelly	283,645	-
A C Branch	-	500,000
R L Koenig	180,556	250,000
AJ Vigar	-	-

### Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

### Indemnifying Officers or Auditors

An indemnity agreement has been entered into between the Company and each of the officers and directors under which the Company has agreed to indemnify those officers and directors against any claim or for any expenses or costs, to the extent permitted by law, which may arise as a result of work performed in their capacities as officers or directors of the Company. In addition, the agreement provides for the Company to procure and pay the premium for an insurance policy to cover, to the extent permitted by law, such claims and expenses, other than conduct involving a wilful breach of duty in relation to the Company, and to continue maintaining an insurance policy for a period of seven years after an officer or director has ceased to act in that capacity.

The amount of the insurance premium paid was \$6,299 excluding GST (less than 2013: \$6,509).

The Company has not indemnified its auditors during the financial year.

### Auditor's Independence Declaration

The company's auditor, BDO Audit Pty Ltd, has provided their independence declaration. This is on the following page of the Directors' Report.

### Non-Audit Services


The auditor did not provide any non-audit services during the year.

# Krucible Metals Limited Directors' Report 2014

Signed on 29 September 2014, in accordance with a resolution of the Board of Directors



A C Branch  
Managing Director & CEO



S Kelly  
Chairman

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

As lead auditor of Krucible Metals Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

1. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. any applicable code of professional conduct in relation to the audit.

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



**C R Jenkins**

Director

**BDO Audit Pty Ltd**

Brisbane, 29 September 2014

Krucible Metals Limited  
Financial Statements

**Consolidated Statement of Profit or Loss and other Comprehensive Income  
for the year ended 30 June 2014**

		<b>2014</b>	<b>2013</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Interest Revenue	4	188,296	14,986
Other Income	4	8,477,082	-
Depreciation and amortisation expense	5	(29,572)	(28,362)
Loss on disposal-non-current assets		-	-
Employee benefits expense	5	(261,500)	(250,150)
Interest expense		(2,017)	-
Other expenses	5	(626,479)	(661,174)
Exploration expenditure write-off	5	(30,979)	(229,196)
<b>Profit/(Loss) before income tax</b>		<b>7,714,831</b>	<b>(1,153,896)</b>
Income tax credit /( expense)	6	(900,849)	321,366
<b>Profit/(Loss) for the year</b>		<b>6,813,982</b>	<b>(832,530)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>6,813,982</b>	<b>(832,530)</b>
<b>Earnings per share</b>	<b>22</b>	<b>cents</b>	<b>cents</b>
Basic earnings/(loss) per share		8.48	(1.16)
Diluted earnings/(loss) per share		7.98	(1.16)

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

Krucible Metals Limited  
Financial Statements

**Consolidated Statement of Financial Position as at 30 June 2014**

		<b>2014</b>	<b>2013</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	5,814,959	522,628
Non-current assets held for sale	11	-	3,635,167
Financial assets	9	5,223,741	7,922
<b>Total current assets</b>		<b>11,038,700</b>	<b>4,165,717</b>
<b>Non-current assets</b>			
Other assets	9	60,000	87,500
Deferred tax assets	6	19,396	-
Property, plant and equipment	10	619,401	29,614
Exploration and evaluation assets	11	2,062,774	1,724,485
<b>Total non-current assets</b>		<b>2,761,571</b>	<b>1,841,599</b>
<b>Total assets</b>		<b>13,800,271</b>	<b>6,007,316</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	54,510	103,586
Income tax	6	301,436	-
Borrowings	13	20,146	-
Employee benefits		28,248	29,294
<b>Total current liabilities</b>		<b>404,340</b>	<b>132,880</b>
<b>Non-current liabilities</b>			
Borrowings	13	67,740	-
Employee benefits		19,004	-
Deferred Tax Liabilities	6	618,809	-
<b>Total non-current liabilities</b>		<b>705,553</b>	<b>-</b>
<b>Total liabilities</b>		<b>1,109,893</b>	<b>132,880</b>
<b>Net assets</b>		<b>12,690,378</b>	<b>5,874,436</b>
<b>EQUITY</b>			
Contributed equity	14	11,397,720	11,395,760
Share option reserve	15	583,089	583,089
Retained profits/(Accumulated losses)		709,569	(6,104,413)
<b>Total equity</b>		<b>12,690,378</b>	<b>5,874,436</b>

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

Krucible Metals Limited  
Financial Statements

**Consolidated Statement of Changes in Equity for the year ended 30 June 2014**

	Contributed Equity	Option Reserve	Accumulate d Profit/(Losse s)	Total Equity
	\$	\$	\$	\$
<b>At 1 July 2012</b>	<b>10,531,532</b>	<b>446,989</b>	<b>(5,271,883)</b>	<b>5,706,638</b>
Loss for the year	-	-	(832,530)	(832,530)
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	-	-	(832,530)	(832,530)
<b>Transactions with owners in their capacity as owners:</b>				
Issue of shares, net of costs	864,228	-	-	864,228
Share-based payments	-	136,100	-	136,100
<b>At 30 June 2013</b>	<b>11,395,760</b>	<b>583,089</b>	<b>(6,104,413)</b>	<b>5,874,436</b>
Profit for the year	-	-	6,813,982	6,813,982
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	-	-	6,813,982	6,813,982
<b>Transactions with owners in their capacity as owners:</b>				
Issue of shares, net of costs	1,960	-	-	1,960
Share-based payments	-	-	-	-
<b>At 30 June 2014</b>	<b>11,397,720</b>	<b>583,089</b>	<b>709,569</b>	<b>12,690,378</b>

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



Krucible Metals Limited  
Financial Statements

**Consolidated Statement of Cash Flows for the year ended 30 June 2014**

		2014	2013
	Note	\$	\$
<b>Cash flows from operating activities</b>			
Proceeds from phosphate asset sales		12,371,000	-
Payments to suppliers and employees		(949,045)	(855,869)
Interest received		138,293	16,660
R&D rebate received	25	-	347,366
<b>Net cash inflow/(outflow) from operating activities</b>	17	11,560,248	(491,843)
<b>Cash flows from investing activities</b>			
Payment for exploration and evaluation assets		(657,449)	(562,027)
Purchase of property, plant and equipment		(619,359)	(2,648)
Proceeds from disposal of property, plant and equipment		6,545	-
Recovery of/(payment for) security deposits		27,500	(7,500)
Payments for term deposits (> 3 months)		(5,115,000)	-
<b>Net cash inflow/(outflow) from investing activities</b>		(6,357,763)	(572,175)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		1,960	849,827
Capital raising costs		-	(16,499)
Proceeds from lease refinancing		89,501	-
Lease finance payments		(1,615)	-
<b>Net cash inflow/(outflow) from financing activities</b>		89,846	833,328
Net increase / (decrease) in cash and cash equivalents		5,292,331	(230,690)
Cash and cash equivalents at beginning of year		522,628	753,318
<b>Cash and cash equivalents at end of year</b>	8	5,814,959	522,628

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

# Krucible Metals Limited

## Declaration by Directors

### Notes to the Financial Statements for the year ended 30 June 2014

#### Corporate Information

The financial statements of Krucible Metals Limited for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on xx September 2014 and covers the consolidated entity consisting of Krucible Metals Limited and its subsidiary (the Group) as required by the Corporations Act 2001.

The financial report is presented in the Australian currency.

Krucible Metals Limited is a company limited by shares incorporated and domiciled in Australia and listed on the Australian Securities Exchange Limited.

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.

#### 1. Summary Of Significant Accounting Policies

##### (a) Basis of Preparation

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The consolidated entity is a for profit entity with the financial statements being prepared on an accruals basis based on historical costs. Compliance with Australian Accounting Standards ensures that the financial statements, comprising the financial statements and notes thereto, comply with International Financial Reporting Standards (IFRS).

#### New and Amended Accounting Standards Adopted by the Group

##### Consolidated Financial Statements

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013:

- AASB 10: Consolidated Financial Statements;
- AASB 12: Disclosure of Interests in Other Entities; and
- AASB 127: Separate Financial Statements.

AASB 10 provides a revised definition of “control” and may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

##### Employee Benefits

The Group adopted AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013.

There was no impact on the Group financial statements as a result of adopting these new accounting standard requirements.

#### New Accounting Standards and Interpretations for Application in Future Periods

The AASB has issued the following new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. The consolidated entity does not plan to adopt these standards early nor has the extent of their impact (if any) been determined.

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

The directors do not anticipate that the adoption of AASB 9 will have an impact on the treatment of the Group’s financial instruments particularly as there is currently no hedging activity.

AASB 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 1. Summary Of Significant Accounting Policies (Cont)

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

AASB 2013–3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

AASB 2013–4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–4 makes amendments to AASB 139: Financial Instruments: Recognition and Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

AASB 2013–5: Amendments to Australian Accounting Standards – Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–5 amends AASB 10: Consolidated Financial Statements to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

#### (b) Income Tax

The income tax expense/credit for the period is the tax payable/recoverable on the current period's taxable income/loss based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on

initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that

at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances relating to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity, respectively.

Krucible Metals Limited (the "head entity") and its wholly owned subsidiary have formed an income tax consolidated group under the tax consolidation regime for the 2014 tax year. The head entity and the subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within the group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the subsidiary.

The group does not have a tax funding or sharing agreement in place in relation to tax liabilities that might arise.

#### (c) Impairment

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 1. Summary Of Significant Accounting Policies (Cont)

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### **(d) Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and at bank, deposits held at call with financial institutions, and short-term highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

#### **(e) Financial Instruments**

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables.

##### *Recognition:*

Financial instruments are initially measured at fair value plus transaction costs, when the related contractual rights or obligations exist.

Subsequent to initial recognition these instruments are measured as set out below.

##### *(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance date, which are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss.

##### *(ii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold-to-maturity and are measured at amortised cost subsequent to initial recognition using the effective interest method. If the Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category is then reclassified as available-for-sale.

##### *(iii) Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principle payments and amortisation.

##### *Impairment:*

An assessment is made at each balance date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

If such evidence exists, the estimated recoverable amount of that asset is determined by publicly available information such as quoted market prices or by calculating the net present value of future anticipated cash flows. An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and its recoverable amount. All impairment losses are recognised in profit and loss. There were no impairments at year end and as such no provision for impairment has been raised.

#### **(f) Exploration and Evaluation Assets**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. To the extent these costs are carried forward, they are only carried forward if they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Certain accumulated costs are expensed three years after being incurred even when they are expected to be recouped through successful development of the area of interest or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserve.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

#### **(g) Property, Plant and Equipment**

Property, plant and equipment is stated at historical cost less depreciation and where applicable impairment losses.

Depreciation of assets is calculated on a straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 1. Summary Of Significant Accounting Policies (Cont)

The depreciation rates used for each class of depreciable asset are:

Buildings	2.5%
Equipment and furniture	8%~50%
Motor vehicles	19%~30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

#### (h) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid and unsecured and on credit terms ranging from 7 to 60 days.

#### (i) Employee Benefits

##### (a) Wages and Salaries and Annual Leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of balance date are recognised in respect of employees' services rendered up to balance date and measured at amounts expected to be paid when the liabilities are settled. Liabilities for wages and salaries and annual leave are included as part of other payables.

##### (b) Long Service Leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the balance date. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at balance date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### (c) Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

#### (j) Share-based payments

Share-based compensation benefits are provided to employees via the Employee Share Option Plan.

The fair value of options granted under the Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity.

The fair value is measured at grant date and recognized over the period during which employees become unconditionally entitled to the options.

The fair value at grant date for options is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

#### (k) Contributed Equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

#### (l) Earnings per share

##### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit and loss attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

##### (ii) 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.

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 1. Summary Of Significant Accounting Policies (Cont)

#### (m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (n) Basis of consolidation

The consolidated financial statements comprise the financial statements of Krucible Metals Limited and its subsidiaries at 30 June each year ("the Group"). Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Subsidiaries are accounted for in the parent entity financial statements at cost.

#### (o) Restoration, rehabilitation and environmental expenditure

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Estimates of future costs are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off.

Restoration from exploration drilling is carried out at the time of drilling and accordingly no provision is required.

#### (p) Revenue Recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

#### (q) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to the profit and loss on a straight line basis over the term of the lease.

#### (r) Non-Current Assets Classified as held for Sale

Non-current assets classified as held for sale are those assets whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These assets are stated at the lower of their carrying amount and fair value less costs to sell and are not depreciated or amortised.

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 1. Summary Of Significant Accounting Policies (Cont)

#### (s) Fair Values

Fair values may be used for financial asset and liability measurement and well as for sundry disclosures.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the group.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

#### (t) Comparatives

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

### 2. Critical Accounting Estimates And Other Accounting Judgements

The directors evaluate estimates and judgements incorporated into the financial statements 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.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### *Share-based payment transactions*

The consolidated entity 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 either the Binomial or Black-Scholes 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.

#### *Income tax*

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

#### *Exploration and evaluation costs*

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

### 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.



# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 3. Segment Information (Cont)

The Group does not have any products/services from which 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.

### 4. Revenue

	2014	2013
	\$	\$
<b>From continuing operations</b>		
Interest – cash and cash equivalents	188,296	14,986
<b>Other income</b>		
Profit on sale of phosphate tenements	8,470,537	-
Profit on disposal-non-current assets	6,545	-
	<u>8,477,082</u>	<u>-</u>

### 5. Expenses

	2014	2013
	\$	\$
Profit/ (loss) before income tax includes the following specific expenses:		
<b>(a) Depreciation expense:</b>		
Motor vehicles-owned	6,007	13,593
Motor vehicles-leased	10,630	-
Field equipment	11,506	13,126
Office equipment and furniture	364	342
Computer equipment	1,065	1,301
Total Depreciation	<u>29,572</u>	<u>28,362</u>
<b>(b) Other expenses</b>		
<b>(i) Employee benefits</b>		
Wages and salaries	302,317	276,141
Directors' fees	100,763	58,750
Defined contribution superannuation expense	37,285	30,140
Other employee benefits	46,660	38,071
Less: Capitalised to exploration	<u>(225,525)</u>	<u>(223,952)</u>
	261,500	179,150
Share based payments	-	71,000
	<u>261,500</u>	<u>250,150</u>
<b>(ii) Other expenses</b>		
Administration expenses	164,175	175,780
Audit fees	24,525	27,132
Consulting (incl management)	322,721	287,815
Office accommodation	23,804	25,114
Sale transaction and funding costs	91,254	145,333
	<u>626,479</u>	<u>661,174</u>
Exploration expenditure written off	30,979	229,196



# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 6. Income Tax Expense

	2014	2013
	\$	\$
<b>(a) Income tax expense</b>		
The components of income tax expense comprise:		
Current tax	301,436	(324,869)
Deferred tax	2,013,013	(138,201)
Deferred Tax Asset /Tax Losses not recognised/(recouped)	(1,413,600)	463,070
R&D tax offset- 2011 and 2012	-	(321,366)
Tax expense/ ( credit)	900,849	(321,366)
<b>Current tax is made up of:</b>		
Current year's tax payable	301,346	-
Under/overprovision-prior period	-	-
Total Current Tax	301,346	-
<b>(b) Numerical reconciliation of income tax benefit to prima facie tax payable</b>		
Operating profit/(loss) before income tax	7,714,831	(1,153,896)
Tax at the Australian tax rate of 30% (2012: 30%)	2,314,449	(346,169)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	-	21,300
Research and Development tax offset- 2011 and 2012	-	(321,366)
Deferred Tax Asset not recognised/( recouped)	(1,413,600)	324,869
<b>Total income tax expense in income statement</b>	900,849	321,366
<b>(c) Deferred tax assets are made up of:</b>		
Provisions	19,396	-
<b>(d) Deferred tax liabilities are made up of:</b>		
Capitalised exploration and evaluation expenditure	618,809	-
<b>(e) Unrecognised deferred tax assets comprise:</b>		
Unused tax losses	-	997,443
Exploration and evaluation expenditure	-	2,162,562
Other deductible temporary differences	-	14,189

The above potential tax benefit for deferred tax assets and tax losses in 2013 was not recognised in the statement of financial position. The above potential tax benefit, which excludes tax losses, for deductible temporary differences, has not been recognised in the statement of financial position as the recovery of this benefit was uncertain in 2013.

There are no franking credits available to shareholders of the company.

### 7. Auditor's Remuneration

	2014	2013
	\$	\$
Amounts paid/payable to BDO for:		
Audit or review of the financial reports	24,525	27,132
Non-audit services	-	-
	24,525	27,132

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 8. Cash And Cash Equivalents

	2014	2013
	\$	\$
Cash at bank and on hand	427,697	267,356
Cash on deposit ( in short term high interest bearing deposits < 3mths)	5,387,262	255,272
	<u>5,814,959</u>	<u>522,628</u>
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flow as follows:		
Balances as above	5,814,959	522,628
Bank overdraft	-	-
Balance per statement of cash flow	<u>5,814,959</u>	<u>522,628</u>
<i>Note: This balance excludes the cash held on terms deposits for &gt;3mths totalling \$5,115,000 at 30 Jun e2014- see Note 9 below</i>		

### 9. Financial And Other Assets

	2014	2013
	\$	\$
<b>Current</b>		
Investments- Held to Maturity (Term Deposits > 3 months)	5,115,000	-
Other receivables	58,802	7,922
Interest receivable	49,939	-
	<u>5,223,741</u>	<u>7,922</u>
<b>Non-Current</b>		
Security deposits	60,000	87,500

No receivables were past due or impaired at year end (2013:nil)

### 10. Property, Plant And Equipment

	2014	2013
	\$	\$
<b>Land &amp; Buildings</b>		
At cost	519,018	-
<b>Field Equipment</b>		
At cost	85,553	83,303
Accumulated depreciation	(78,796)	(67,290)
Written down value	<u>6,757</u>	<u>16,013</u>
<b>Computer equipment</b>		
At cost	5,347	9,769
Accumulated depreciation	(5,133)	(8,490)
Written down value	<u>214</u>	<u>1,279</u>
<b>Office equipment &amp; Furniture</b>		
At cost	4,045	1,863
Accumulated depreciation	(1,258)	(894)
Written down value	<u>2,787</u>	<u>969</u>
<b>Motor vehicles-owned</b>		
At cost	49,710	79,256
Accumulated depreciation	(44,364)	(67,903)
Written down value	<u>5,346</u>	<u>11,353</u>
<b>Motor Vehicles- leased</b>		
At cost	95,909	-
Accumulated depreciation	(10,630)	-
Written down value	<u>85,279</u>	<u>-</u>
<b>Total non-current property, plant and equipment</b>	<u>619,401</u>	<u>29,614</u>

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 10. 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:

	2014	2013
	\$	\$
<b>Field equipment</b>		
Carrying amount at beginning of financial year	16,013	28,421
Additions	2,250	717
Depreciation	(11,506)	(13,125)
Carrying amount at end of financial year	6,757	16,013
<b>Computer equipment</b>		
Carrying amount at beginning of financial year	1,279	1,055
Additions	-	1,524
Depreciation	(1,065)	(1,300)
Carrying amount at end of financial year	214	1,279
<b>Office equipment &amp; Furniture</b>		
Carrying amount at beginning of financial year	969	904
Additions	2,182	407
Depreciation	(364)	(342)
Carrying amount at end of financial year	2,787	969
<b>Motor Vehicles-owned</b>		
Carrying amount at beginning of financial year	11,353	24,946
Additions	-	-
Depreciation	(6,007)	(13,593)
Carrying amount at end of financial year	5,346	11,353
<b>Motor Vehicles-leased</b>		
Carrying amount at beginning of financial year	-	-
Additions	95,909	-
Depreciation	(10,630)	-
Carrying amount at end of financial year	85,279	-
<b>Land and Buildings</b>		
Carrying amount at beginning of financial year	-	-
Additions	519,018	-
Depreciation	-	-
Carrying amount at end of financial year	519,018	-

### 11. Exploration And Evaluation Assets

	2014	2013
	\$	\$
<b>Capitalised exploration and evaluation expenditure</b>		
Carrying amount in respect of areas of interest in exploration and evaluation phase at beginning of year	5,359,652	4,910,813
Expenditure incurred during the year on:		
Exploration of tenements	634,565	582,035
Purchase of remaining interest in tenement	-	96,000
Carrying value of tenements sold	(3,900,464)	-
Less: Exploration written off	(30,979)	(229,196)
Carrying amount in respect of areas of interest in exploration and evaluation phase at end of year	2,062,774	5,359,652

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 11. Exploration and Evaluation Assets (Cont)

Australian New Agribusiness and Chemical Group Ltd, (ANB), (formerly Daton Group Australia Limited), acquired the Group's phosphate tenements in a transaction that was completed in January 2014. The carrying value of the tenements that were sold amounted to \$3,900,464. In 2013, the Group expected the sale transaction to be completed in the 2014 financial year and accordingly classified the exploration and evaluation expenditure associated with these tenements at 30 June 2013 as current. The split of the above balance into current and non-current is set out below:

	2014	2013
	\$	\$
Current – held for sale (ANB)	-	3,635,167
Non-Current	2,062,774	1,724,485
	<u>2,062,774</u>	<u>5,359,652</u>

Recovery of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

### 12. Trade And Other Payables

	2014	2013
	\$	\$
Trade payables	23,349	75,435
Other payables	<u>31,161</u>	<u>28,151</u>
	<u>54,510</u>	<u>103,586</u>

### 13. Borrowings

	2014	2013
	\$	\$
<b>Current</b>		
Lease Liability	<u>20,146</u>	<u>-</u>
<b>Non-Current</b>		
Lease Liability	<u>67,740</u>	<u>-</u>

Lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

### 14. Contributed Equity

	2014	2014	2013	2013
(a) Share capital	No. Shares	\$	No. Shares	\$
Ordinary shares				
Fully paid	80,409,887	11,397,720	80,370,695	11,395,760

#### (b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price \$	\$
30 Jun 2012	Closing balance	<u>66,447,463</u>		<u>10,531,532</u>
31 Aug 2012	Share Placement	1,993,423	0.081	162,326
28 Nov 2012	SPA Commitment Fee	1,139,241	0.0	0
31 Dec 2012	SPA Placement-Tranche 1	1,470,588	0.068	100,000
31 Jan 2013	SPA Placement-Tranche 2	1,587,302	0.063	100,000
11 Mar 2013	SPA Placement-Tranche 3	1,219,512	0.082	100,000
3 April 2013	Share Placement	3,758,200	0.076	287,500
8 April 2013	SPA Placement-Tranche 4	735,294	0.068	50,000
26 April 2013	Tenement acquisition-DYL	1,200,000	0.08	96,000
7 May 2013	SPA Placement-Tranche 5	819,672	0.061	50,000
	Share issue costs	-		(81,598)
30 Jun 2013	Closing balance	<u>80,370,695</u>		<u>11,395,760</u>
	Bonus Option conversion	2,500	0.05	125
	Bonus Option conversion	<u>36,692</u>	<u>0.05</u>	<u>1,835</u>
30 Jun 2014	Closing balance	80,409,887		11,397,720

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 14. Contributed Equity (Cont)

#### 2013 Share Capital transactions

During the 2013 financial year the Group entered into a Share Purchase Agreement (SPA) with Bergen Global Opportunity Fund II, LLC (Bergen). The agreement was terminated on 7 May 2013 after the acceptance of 5 tranches under the agreement. The terms and conditions of this agreement included:

**Investment amounts-** The capital is to be made available to the Group in regular tranches as follows:

1. \$100,000 on execution of the SPA, with an additional \$100,000 approximately a month hence;
2. Subsequent approximately monthly equity tranches over the two year period in the amount of \$50,000 each but can be increased to up to \$200,000 each by mutual consent.

**Share issuance prices-** The issue price to be determined based on 90% of the average of five daily volume weighted average prices ("VWAPs") of the shares during a specified period prior to the issuance date of the shares. On two occasions only, the issue price may be 130% of the average of the daily volume-weighted average prices of the shares during the 20 trading day period prior to the date of execution of the SPA.

**Options-** At the time of executing the SPA, the Group granted Bergen 1,500,000 three year options exercisable at \$0.1196 per share. The value of the options at issue date was determined as \$0.0434 per option or \$65,100.

**Commitment fee-** At the time of executing the SPA the Group paid Bergen a commitment fee. This was satisfied by the issue of 1,139,241 shares. As this is a transaction cost for raising equity, it is offset against equity raised. Accordingly there is no effect on the net assets of the Company.

On 29 April 2013 the Group acquired the remaining 20% interest in tenement EPM 15072 known as Pilgrim Fault, from Superior Uranium Pty Ltd (a fully owned subsidiary of Deep Yellow Limited or "DYL"), in return for 1.2m fully paid ordinary shares at an issue price of A0.08 per share.

#### 2014 Share Capital transactions

On 24 January 2014 the Board of Krucible Metals Ltd announced a pro-rata issue (Bonus Issue) of bonus options to eligible shareholders on the basis of one (1) free bonus option for every four (4) shares held at the record date.

The purpose of the Bonus Issue was to reward the loyalty of shareholders from the successful sale of the Company's phosphate tenements to Australia New Agribusiness & Chemical Group Ltd, which resulted in Krucible having sufficient cash reserves to fund its exploration and business development activities into the foreseeable future.

The Bonus Issue was not intended to raise additional capital and was designed to allow shareholders to receive tradable equities, while retaining their existing shares if desired, while preserving the Company's cash for its growth strategy as outlined in "Business strategies" and prospects for future financial years in the Directors Report. The 19,155,232 bonus options issued under the offer have an exercise price of \$0.05 and were issued at no cost to shareholders. The bonus options have an expiry date of 23 January 2016.

The bonus option issue was completed on 25 March 2014 and the options are listed on the ASX for trading. Subsequent to the bonus option issue, holders of 39,192 options have elected to convert to ordinary shares having paid the exercise price of \$0.05 per option.

### (c) Options

#### 30 June 2013 Option movements

1,100,000 unlisted director options with an exercise price of \$0.50 each expiring 27 November 2012 lapsed.  
50,000 unlisted options issued to employees with an exercise price of \$0.45 each expiring 16 December 2012 lapsed.  
500,000 unlisted director options with an exercise price of A\$0.15 each expiring 8 May 2015 and 500,000 unlisted options under the Krucible Long Term Incentive Plan (on the same terms) were issued.  
1,500,000 unlisted options with an exercise price of A\$0.1196 each expiring on 28 November 2015 were issued under the terms of a Share Purchase Agreement.

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 14. Contributed Equity (Cont)

#### 30 June 2014 Option movements

150,000 unlisted options issued to employees in prior years with an exercise price of \$0.38 each expiring 11 October 2013 lapsed. 19,155,232 bonus options listed on the ASX were issued to shareholders on 25 March 2014 at an exercise price of \$0.05 per option with an expiry date of 23 January 2016. The bonus options were allocated on a 1:4 basis to shareholders registered at 20 March 2014. The options were issued for no consideration so there was no impact on issued capital. 39,192 bonus options were converted to ordinary shares during May and June 2014 through payments totalling \$1,960

Details of unlisted and unexercised options at balance date are as follows:

Number	Type	Exercise price	Expiry date
270,000	Employee	24 cents	12 August 2014
300,000	Employee	15 cents	28 February 2015
500,000	Director	15 cents	8 May 2015
500,000	Director	15 cents	8 May 2015
1,500,000	Unlisted	11.96 cents	28 November 2015

Details of listed and unexercised options at balance date are as follows:

Number	Type	Exercise price	Expiry date
19,116,040	Bonus	5 cents	23 January 2016

### 15. Share Option Reserve

	2014	2013
	\$	\$
The share option reserve records items recognised as expenses on granting of director and employee share options.		
Opening balance	583,089	446,989
Options issued to directors	-	71,000
Options issued to employees	-	-
Unlisted options issued under SPA (see Note 14(b))	-	65,100
Closing balance	583,089	583,089

### 16. Financial Risk Management

#### (a) Risk management policies

In common with exploration businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Categories of Financial Instruments	Carrying amount \$	Contractual cashflow \$	Maturing in one year or less \$	Maturing in 1 to 5 years \$	Weighted Average Effective interest rate %
<b>Year ended 2014</b>					
<u>Financial Assets</u>					
Cash and cash equivalents	5,814,959	5,814,959	5,814,959	-	2.62%
Held to Maturity Term Deposits	5,115,000	5,115,000	5,115,000	-	3.82%
Trade and other receivables	168,741	168,741	108,741	60,000	N/A
<u>Financial Liabilities</u>					
Trade and other payables	54,510	54,510	54,510	-	-
Income Tax	301,436	301,436	301,436	-	-
Leases	87,886	87,886	20,146	67,740	7.2%

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 16. Financial Risk Management (Cont)

Categories of Financial Instruments	Carrying amount \$	Contractual cashflow \$	Maturing in one year or less \$	Maturing in 1 to 5 years \$	Weighted Average Effective interest rate %
<b>Year ended 2013</b>					
<u>Financial Assets</u>					
Cash and cash equivalents	522,628	522,628	522,628	-	3.85%
Trade and other receivables	95,422	95,422	95,422	87,500	N/A
<u>Financial Liabilities</u>					
Trade and other payables	(132,980)	(132,980)	(132,980)	-	N/A

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The Group's risk management policies and objectives are designed to minimise the potential impacts of the risks on the results of the Group where such impacts may be material. The Board receives monthly executive management reports from the Managing Director & CEO and financial reports from the Company Secretary through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

#### (b) Credit Risk

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

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to contracts fail to settle their obligations owing to the Group.

The Group manages its credit risk associated with funds on deposit and cash at bank by only dealing with a spread of reputable financial institutions.

#### (c) Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. As the Group's main component of working capital comprises cash, the policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due by continuous monitoring of actual and projected cash flows.

#### (d) Market risk

Market risk is the risk that the change 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.

The Group is not exposed to market risks other than interest rate risk.

#### Interest rate risk

Interest rate risk arises principally from cash and cash equivalents.

Interest rate risk is managed by continuous monitoring of interest rate exposure and using a mixture of fixed and floating rate cash deposits with reputable financial institutions. At 30 June 2014 approximately 96.1% (2013- 49%) of cash deposits were at fixed terms. It is the policy of the Group to keep as much cash as possible on fixed interest rates.

The sensitivity to movements in the interest rates would result in a \$105,023 increase or decrease interest revenue as a result of a 1% increase or decrease in interest rates. This exposure is managed in the short-term through the fixing of term deposits for periods between 2-12 months.

#### (e) Capital Risk Management

The Group considers its capital to comprise its ordinary share capital, reserves and accumulated losses as disclosed in the statement of financial position.

In managing its capital, the Group's primary objective is to ensure it has sufficient funds to meet its working capital requirements and its strategic investment needs.

The Group has debt financing at balance date of \$87,886 in relation to finance leases (2013: nil)

The Group is not exposed to externally imposed capital requirements.

#### (f) Fair values

The fair values of cash, trade and other receivables and trade and other payables, approximates their carrying amounts at balance date.

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 17. Cash Flow Information

	2014	2013
	\$	\$
<b>Reconciliation of profit (loss) after income tax to net cash flow from operating activities</b>		
Profit (loss) for the year	6,813,982	(832,530)
Depreciation and amortisation	29,572	28,362
Non-cash share-based payments expense	-	71,000
Profit on disposal of non-current assets	(6,545)	-
Book value of phosphate tenements sold	3,900,464	-
Exploration expenses written off	32,755	229,196
Change in operating assets and liabilities:		
-(increase)/decrease in receivables	(98,377)	208
- increase/(decrease) in trade and other payables	(11,852)	11,921
-increase/(decrease) in provisions	(600)	-
-increase/(decrease) in tax balances	900,849	-
Net cash flow from operating activities	11,560,248	(491,843)

### 18. Share-Based Payments

	2014	2013
	\$	\$
<b>Share-based payment expenses recognised during the financial year</b>		
Equity settled options issued to directors (note 5(b))	-	71,000
Equity settled options issued to employees	-	-
Equity settled options issued under Share Purchase Agreement (note 14)	-	65,100
	-	136,100

Details of share-based payments made during the financial year:

- (a) The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.04 years. (2013:1.96 years).

The weighted average exercise price of share options outstanding at the end of the financial year was \$0.124 (2013:\$0.154).

- (b) Fair Value of Options Granted

The weighted average fair value of options granted during the year was nil (2013:5.4 cents). The fair value at grant date in 2013 was determined by an independent valuer using a Black-Scholes option pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, expected dividends and the risk free rate.

The inputs used for the Black-Scholes option pricing model for options granted during the year ended 30 June 2013 was as follows:

Details	Director Options	Executive Options	Bergen Options
Number of options	500,000	500,000	1,500,000
Consideration	nil	nil	nil
Option life	3 years	3 years	3 years
Exercise price	\$0.15	\$0.15	\$0.1196
Grant date	16-7-2012	3-12-2012	28-11-2012
Vest date	16-7-2012	3-12-2012	28-11-2012
Expiry date	8-05-2015	8-05-2015	28-11-2015
Share price at grant date	\$0.12	\$0.12	\$0.09
Fair value of options granted	7.1 cents	7.1 cents	4.34 cents
Expected volatility %	100.8%	100.8%	83.59%
Expected dividend yield %	nil	nil	Nil
Risk free rate %	2.67%	2.67%	2.67%



# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 18. Share-Based Payments (Cont)

Reconciliation of movements in options on issue for the financial year:

Issue date	Opening balance	Granted	Expired	Forfeited	Exercised	Closing balance	Exercisable
11/10/10	150,000	-	150,000	-	-	-	-
12/08/11	270,000	-	-	-	-	270,000	270,000
28/02/12	300,000	-	-	-	-	300,000	300,000
16/07/12	500,000	-	-	-	-	500,000	500,000
28/11/12	1,500,000	-	-	-	-	1,500,000	1,500,000
3/12/12	500,000	-	-	-	-	500,000	500,000

### 19. Key Management Personnel Disclosures

#### (a) Names of key management personnel and positions held for 2014

S Kelly	Chairman & Non-executive Director
A C Branch	Managing Director & CEO
R L Koenig	Non-executive Director
A J Vigar (Appointed 23 May 2014)	Non-executive Director
M C Meintjes	Company Secretary & CFO

#### (b) Key management personnel compensation

	2014	2013
	\$	\$
Short-term employee benefits	420,306	400,236
Post-employment benefits	9,646	8,287
Other long-term benefits	-	-
Share based payments	-	71,000
	429,952	479,523

#### (c) Equity Holdings

Ordinary Shares	No.	No.
S Kelly	283,645	283,645
R Koenig	180,556	180,556
<b>Options</b>		
A Branch	500,000	500,000
R Koenig	250,000	250,000

### 20. Related Party Transactions

#### (a) Key management personnel- service agreements

Remuneration of the Managing Director is by way of consulting fees paid to International Organics Pty Ltd (a company associated with A C Branch) for the services provided to the company at a rate of \$21,000 (excluding GST) per month commencing on 1 March 2014 (previously \$18,500). Fees paid to Tasmanian Organics Pty Ltd including a bonus for the financial year totalled \$254,200 (2013: \$222,607) excluding GST and is included in the remuneration report within the directors' report.

Remuneration of the previous company secretary was by way of consulting fees paid to Lovell & Co Pty Ltd (a company associated with D J Lovell) for secretarial, accounting and administration services provided to the Group and invoiced on an hourly basis. Fees paid to Lovell & Co Pty Ltd during the financial year to date of resignation totalled \$nil (2013: \$11,475) excluding GST and is included in the remuneration report within the directors' report.

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 20. Related Party Transactions (Cont)

Remuneration of non-executive director Ray Koenig is partly by way of consulting fees paid to Koenig Consulting Pty Ltd (a company associated with R Koenig) for technical consulting services provided to the Group and invoiced on an hourly basis. Fees paid to Koenig Consulting Pty Ltd during the financial year totalled \$9,022 (2013: \$7,965) excluding GST and is included in the remuneration report within the directors' report.

Remuneration of the current Company Secretary is by way of fees paid for secretarial, accounting and administration services provided to the Group and invoiced on an hourly basis. Fees paid to M C Meintjes during the financial year totalled \$52,978 (2013:\$62,935-11 months) excluding GST and is included in the remuneration report within the directors' report.

Andrew Vigar is the principal of Mining Associates and is engaged by the company to perform the role of Competent Person. Fees paid to Mining Associates since his appointment to the Board on 23 May 2014 total \$3,845.

Total amounts due to key management personnel at 30 June 2014 in relation to the above transactions and included in trade creditors were \$6,995 ( 2013: \$1,957)

#### (b) Other related parties

There were no transactions with other related parties during the year and no balances held with other related parties at year end.

### 21. Capital And Lease Commitments

	2014	2013
	\$	\$
<b>(a) Mineral Tenements</b>		
Future exploration payable:		
Within one year	1,193,560	1,553,275
Later than one year but not later than 5 years	3,270,365	4,454,805
Later than 5 years	-	665,000
	<u>4,463,925</u>	<u>6,673,080</u>
The Group has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group. The above commitments in 2013 excludes tenements being sold to ANB but include commitments on applications that are expected to be granted within the next twelve months.		
During the year, the Group received a subsidy of \$ nil (2013: \$ nil) from The State of Queensland Acting through The Department of Natural Resources and Mines in respect of drilling work carried out on the Group prospects. The Group continues to lodge applications for State drilling subsidies from time to time.		
<b>(b) Operating Leases</b>		
Future operating lease rentals for office space payable not recognised as a liability:		
Within one year	-	11,970
Later than one year but not later than 5 years	-	-
	<u>-</u>	<u>11,970</u>

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 21. Capital and Lease Commitments (Cont)

#### (a) Finance Leases

	2014	2013
	\$	\$
Committed at the reporting date and recognised as a liability:		
Within one year	25,950	-
Later than one year but not later than 5 years	75,171	-
Total committed	101,121	-
Less: Future Finance charges	13,235	-
Net commitment recognised as a liability	87,886	-
Representing:		
Lease liability- current (note 13)	20,146	-
Lease liability-non-current (note 13)	67,740	-
	87,886	-
Finance lease commitments includes contracted amounts for motor vehicles with a written down value of \$85,279 (2013: \$nil) secured under finance leases expiring within one to five years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for an insignificant residual value on the expiry of the leases.		

### 22. Earnings per Share

	2014	2013
	cents	cents
Basic earnings/(loss) per share	8.48	(1.16)
Diluted earnings/(loss) per share	7.98	(1.16)
Reconciliation of profit/( loss)	\$	\$
Net profit/(loss) for the year used to calculate earnings per share-basic and diluted	6,813,982	(832,530)

	2014	2013
	No. of shares	No. of shares
Weighted average number of ordinary shares outstanding during the year used to calculate: basic earnings/(loss) per share	80,373,768	71,930,903
Diluted earnings/(loss) per share	85,461,264	71,930,903

Options could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share calculations in 2013 because they were anti-dilutive

### 23. 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 held the mining lease on trust until such time as a decision was made to proceed with the trial mining, completing bankable feasibility studies and possible development of future phosphate mining operations or joint venture or disposal to a third party.

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

The Mining Lease 90209 was sold to ANB as part of the asset sale set out in Note 11. The Company is now dormant and any administrative costs are borne by the holding company.

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2014

### 24. Contingencies

#### ***Contingent Liabilities***

There were no contingent liabilities at 30 June 2014.

### 25. Subsequent Events

Subsequent to year end the Group secured mortgage finance for the recently acquired property at Boundary Street in Townsville. The amount drawn-down under this arrangement amounted to \$325,000. The mortgage loan is secured over the property and is for a period of five years at a fixed interest rate of 6.43%pa.

The Group received an R&D Offset refund relating to the 2013 tax year on 3 September 2014 in the amount of \$90,747. The R&D Offset amounts are only recognised by the Company at the time of receipt.

Some exploration activities such as the phytogeochemical research is been conducted past the current reporting period and some such as drilling at Toomba were initiated subsequent to the current reporting period.

On 11 September 2014 the Company received a s249D Notice from a shareholder. The Notice requested a general meeting of members to consider the following resolutions:

Removal of Mr Allan Branch as a director;

Election of Dr Leon Eugene Pretorius as a director; and

Payment of a 5 cent per share dividend.

A Notice of Meeting will need to be issued within 21 days of this shareholder request and the meeting held within 2 months.

There are no other events that have occurred subsequent to year end that are material or unusual in nature that are likely to affect significantly the operations of the Group, the results of those operations, of the state of affairs of the Group in subsequent financial years.

### 26. Parent Entity Information

The Corporations Act requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by regulation 2M.3.01 which requires limited disclosure in regards to the parent entity (Krucible Metals Limited). As the subsidiary only applied for a mining lease application and did not carry out any activities during the year, the financial information of the parent does not differ from that of the consolidated entity.

There were no contractual commitments or contingent liabilities of the parent at 30 June 2014 other than those disclosed at note 21.

# Krucible Metals Limited

## Declaration by Directors

The directors of the company declare that:

1. The financial statements and notes, comprising the statement of profit or 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 Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. 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.
4. The remuneration disclosures included in the directors report (as part of the audited remuneration report), for the year ended 30 June 2014, comply with section 300A of the Corporations Act 2001.
5. The directors have been given the declarations by the chief executive officer and the company secretary required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the board of directors on 29 September 2014:



**A C BRANCH**

Managing Director



**S KELLY**

Chairman

## INDEPENDENT AUDITOR'S REPORT

To the members of Krucible Metals Limited

### Report on the Financial Report

We have audited the accompanying financial report of Krucible Metals Limited, which comprises the consolidated statement of financial position as at 30 June 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

## Independence

In conducting our audit, 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 report.

## Opinion

In our opinion:

- A. the financial report of Krucible Metals Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- B. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 30 June 2014. 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.

## Opinion

In our opinion, the Remuneration Report of Krucible Metals Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd



C R Jenkins

Director

Brisbane, 29 September 2014

# Krucible Metals Limited

## Corporate Governance Statement 2014

All ASX listed entities are required to disclose against the recommendations and disclosure obligations contained in the revised ASX Corporate Governance Council Corporate Governance Principles and Recommendations in the annual report and in initial public offer documents. The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they applicable, the Company has adopted the second edition of the Corporate Governance Principles and Recommendations ("Recommendations") as published by the ASX Corporate Governance Council. Copies of the Company's corporate governance policies are set out in the "Corporate Governance Policies" available on the Company's website at [www.kruciblemetals.com.au](http://www.kruciblemetals.com.au). As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be given further consideration. In view of the size of the Company and the nature of its activities, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. The Company reports the following departures from the ASX Principles and Recommendations:

### **Recommendation Principle 2: Structure The Board To Add Value**

**Recommendation 2.4:** The Company should establish a nomination committee consisting of a majority of independent directors.

**Notification of Departure:** There is no separate nomination committee.

Due to the size and nature of the Company, the full Board considers the matters and issues that would fall to the nomination committee. The Company has adopted a Nomination Policy setting out the Board processes to raise issues that would otherwise be considered by the nomination committee. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate nomination committee.

The Board intends to reconsider the requirement for and benefits of a separate nomination committee as the Company's operations grow and evolve.

### **Recommendation Principle 3: Promote Ethical And Responsible Decision-Making**

**Recommendation 3.2:** The Company should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and the progress in achieving them.

**Recommendation 3.3:** Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

**Notification of Departure:** The Company has not established a diversity policy.

Due to the size and nature of the Company and the limited number of employees, the Board has not at this stage established a diversity policy.

The Board intends to reconsider the requirement for and benefits of a diversity policy as the Company's operations grow and evolve.

### **Recommendation Principle 4: Safeguard Integrity And Financial Reporting**

**Recommendation 4.1:** The Company should establish an audit committee.

**Recommendation 4.2:** The audit committee should be structured so that it consists of non-executive directors who are a majority of independent directors.

**Notification of Departure:** There is no separate audit committee.

Due to the size and nature of the Company, the Board has not established an audit committee rather the full Board forms the audit committee. The Company has adopted an Audit Charter setting out the Board processes that would otherwise be considered by the audit committee. The Board considers that it is sufficient for the Board to assume the responsibilities that are ordinarily assigned to an audit committee.

The Board intends to reconsider the requirement for and benefits of a separate audit committee as the Company's operations grow and evolve.

### **Recommendation Principle 8: Remunerate Fairly And Responsibly**

**Recommendation 8.1:** The Company should establish a remuneration committee.

**Recommendation 8.2:** The remuneration committee should be structured so that it consists of non- executive directors who are a majority of independent directors.

**Notification of Departure:** In early 2014 the Company established a separate remuneration committee comprising of independent non-executive directors.

Due to the size and nature of the Company, the Company had not previously established a separate remuneration committee as it was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. During this period the Board considered that it was more appropriate to set aside time at Board meetings to address matters that would normally fall to the remuneration committee. The Company has adopted a Remuneration Charter setting out



# Krucible Metals Limited

## Corporate Governance Statement 2014

the Board processes that would otherwise be considered by the remuneration committee. The Board also receives and reviews recommendations from management on remuneration levels for non-executives.

The remuneration committee comprised of two members, which is 50% of the board, during the year and where necessary utilises external consultants.

In addition all matters of remuneration will continue to be determined in accordance with the Corporations Act requirements, especially in relation to related party transactions. That is, no Director will participate in deliberations regarding their own remuneration or related issues.

**Recommendation 8.3:** The structure of non-executive directors' remuneration from that of executive director and senior management remuneration should be clearly distinguished.

**Notification of Departure:** Guidelines for non-executive director remuneration state that non-executive directors should not normally participate in schemes designed for the remuneration of executives and non-executive directors should not receive options or bonus payments. The Company's non-executive directors are eligible to participate in the Company's long term incentive plan. The issue of options under this Plan is subject to approval by shareholders in general meeting. The Board considers that this eligibility is a necessary motivation to attract the highest calibre candidates to the Board at this stage in the Company's operations and to also assist in aligning remuneration with Company performance. The Company had three non-executive directors during the financial year. No options were issued to these directors during this period.

The table below indicates the Company's compliance with the ASX Corporate Governance Council's Recommendations:

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
<b>Principle 1</b>	<b>Lay solid foundations for management and oversight</b>		
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Board Charter	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	Board Charter, Board Performance Evaluation Policy, Remuneration Report	Yes
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Board Charter Remuneration Report	Yes

<b>Principle 2</b>	<b>Structure the Board to add value</b>		
2.1	A majority of the Board should be independent directors.	Board Charter	Yes
2.2	The chair should be an independent director.	Board Charter	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Board Charter	Yes
2.4	The Board should establish a nomination committee.	Nomination charter	No
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Board Performance Evaluation Policy	Yes
2.6	Provide the information indicated in the Guide to reporting on Principle 2.		Yes

<b>Principle 3</b>	<b>Promote ethical and responsible decision-making</b>		
3.1	Establish a code of conduct and disclose the code or a summary as to:	Directors and executive officers code of conduct Employee code of conduct	Yes
	<ul style="list-style-type: none"> <li>the practices necessary to maintain confidence in the company's integrity;</li> </ul>		
	<ul style="list-style-type: none"> <li>the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and</li> </ul>		
	<ul style="list-style-type: none"> <li>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>		
3.2	Establish a policy concerning diversity and disclose the policy or summary of that policy.		No
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board and progress towards achieving.		No
3.4	Disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the Board	Directors' Report-Review of Operations	Yes

# Krucible Metals Limited

## Corporate Governance Statement 2014

3.5	Provide the information indicated in the Guide to reporting on Principle 3.	Codes of conduct	Yes
<b>Principle 4</b>	<b>Safeguard integrity in financial reporting</b>		
4.1	The Board should establish an audit committee.	Audit charter	No
4.2	The audit committee should be structured so that it:		No
	<ul style="list-style-type: none"> <li>consists only of non-executive directors;</li> </ul>		
	<ul style="list-style-type: none"> <li>consists of a majority of independent directors;</li> </ul>		
	<ul style="list-style-type: none"> <li>is chaired by an independent chair, who is not chair of the Board; and</li> </ul>		
	<ul style="list-style-type: none"> <li>has at least three members.</li> </ul>		
4.3	The audit committee should have a formal charter	Audit charter	Yes
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	Audit charter	Yes

<b>Principle 5</b>	<b>Make timely and balanced disclosure</b>		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	ASX Disclosure policy Shareholder communication policy	Yes
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	ASX Disclosure policy Shareholder communication policy	Yes

<b>Principle 6</b>	<b>Respect the rights of shareholders</b>		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	ASX Disclosure policy Shareholder communication policy	Yes
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	ASX Disclosure policy Shareholder communication policy	Yes

<b>Principle 7</b>	<b>Recognise and manage risk</b>		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Risk management policy Audit charter	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Risk management policy Audit charter	Yes
7.3	The Board should disclose whether it had received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 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.	Risk management policy Audit charter	Yes
7.4	Provide the information indicated in the Guide to reporting on Principle 7.	Risk management policy Audit charter	Yes

<b>Principle 8</b>	<b>Remunerate fairly and responsibly</b>		
8.1	The Board should establish a remuneration committee.	Remuneration charter	Yes- for a part of the year
8.2	The remuneration committee should be structured so that it:	Remuneration charter	No-only two members
	<ul style="list-style-type: none"> <li>consists of a majority of independent directors;</li> </ul>		
	<ul style="list-style-type: none"> <li>is chaired by an independent chair; and</li> </ul>		
	<ul style="list-style-type: none"> <li>has at least three members.</li> </ul>		
8.3	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	Remuneration charter Remuneration Report	Yes
8.3	Provide the information indicated in the Guide to reporting on Principle 8.	Remuneration charter	Yes

## Krucible Metals Limited

### Competent Person's Statement

*"The information in this report that relates to Mineral resources and Exploration Results is based on information compiled by Mr Andrew J Vigar who is a Fellow of The Australasian Institute of Mining and Metallurgy and is employed by Mining Associates Limited, Hong Kong and is a non-executive director of Krucible Metals Ltd. Mr Vigar has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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".*

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.