



Krucible Metals Limited

Quarterly Activities and Cash Flow Statement

For the 3 months ending 31 December 2014 (*Period*)

ASX Code: KRB
Shares on Issue: 80,508,565
Options (listed): 19,017,362
Options (unlisted): 2,300,000
Cash at Bank: \$9,777,921

Board of Directors

Exec. Chairman: Dr Leon Pretorius

Non Exec: Dennis Lovell

Non Exec: Josh Puckridge

Company Secretary (Jointly)

Dennis Lovell

Josh Puckridge

Registered Office

C/- Coutts Redington, Chartered
Accountants
The Plaza, 278 Ross River Road
Aitkenvale, Townsville QLD 4814
Australia

ABN: 12 118 788 846

www.kruciblemetals.com.au

About the Company

Krucible Metals Limited (**Company**) is a Public Company listed on the Australian Securities Exchange.

The Company holds a number of Australian exploration tenements in far Western Queensland and the Northern Territory.

The Company has recently undergone a change of Board and management and is in the process of evaluating all commercial and operational activities to ensure the Company's resources are being deployed in the best interests of all shareholders.

For enquiries please contact:

Josh Puckridge

+61 (0) 452 440 100

COMPANY OVERVIEW

Krucible Metals Limited (**Krucible**) (**Company**) (ASX: **KRB**) is a Company listed on the Australian Securities Exchange (**ASX**) primarily focused on assessing its current exploration interests in Queensland and the Northern Territory whilst also seeking to acquire additional projects that have the potential to significantly create value for shareholders.

CAPITAL STRUCTURE

The Company's simple capital structure is as follows:

Issued fully paid ordinary shares:	80,508,565
Listed Options (ASX: KRBO):	19,017,362
Unlisted Options:	2,300,000
Cash at Bank*:	\$9.8 million

*Cash at Bank also includes term deposits with maturities in excess of 3 months from the date of this release.

The Company's most recent audited financial report, 30 June 2014, should be read to appreciate the Company's full financial position.

BOARD AND MANAGEMENT CHANGES

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

The new Board of Directors has begun, and continues, a strategic review of the Company's operations.

STRATEGIC REVIEW OF OPERATIONS

The new Board of Directors have begun a full technical review of the Company's exploration projects; this technical review is ongoing although its current findings are summarized in this announcement under "Activities and Status of Project Review" on page 3 (**Project Review**).

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

It has been established, even after the new Board negotiated reduced payments to certain third parties, that in excess of A\$497,000.00 was incurred in costs relating to the drilling and related activities done on the Company's Toomba and Tobermorey project areas. A more in depth summary of the costs associated with this exercise are given in the Project Review.

The recently arranged \$320,000 bank mortgage loan over the new Townsville office premises was fully paid out in November using existing Company cash resources.

COMPANY INCOME TAX

The new Board of Directors also wishes to bring attention to the current tax position of the Company.

The Company's 2014 Annual Report to shareholders discloses a \$301,436 current income tax liability (relating to the profits from the sale of Australian New Agribusiness and Chemical Group Pty Ltd as reduced by prior year carried forward income tax losses) and a \$618,809 deferred tax liability (relating to the carrying value of exploration and evaluation assets for which income tax deductions have already been claimed or are proposed to be claimed).

Due to erroneous tax advice that occurred under the previous management of the Company, Krucible's tax returns from as far back as 2009 did not include the Company's allowable exploration and evaluation deductions under Div 40H of the Income Tax Act . In October 2014 the Company's new tax advisor lodged amended tax returns for the 2009 to 2013 period to reflect these additional allowable tax deductions. The current tax liability disclosed in the Annual Report of A\$301,436 assumes that the Australian Taxation Office (**ATO**) will accept the lodgment of these amended returns.

Recent correspondence with the ATO has highlighted that the timeframe for lodging revised assessments for the 2009 - 2011 period may have expired although the Company has been advised that the ATO has the discretion to accept late lodgment where valid reasons exist.

Should these exemptions not be granted the Company's current income tax liability, being the amount payable to the ATO in respect of the 2014 financial year, could increase by as much as \$577,000 but with the equivalent reduction in the deferred tax liability.

The Board has been advised that in the unlikely event that all of the requested amendments for the 2009 to 2011 financial years are not allowed by the ATO it is allowable to claim, as a deduction against the phosphate tenements sale, all previously abandoned as well as currently capitalised exploration costs previously incurred by the company on exploration projects that did not produce evidence of an economically exploitable resource. This alternative approach would significantly mitigate any impact from the increase in the company's current income tax liability for 30 June 2014 as referred to above.

While any potential increase in the current income tax liability would create an additional cash-flow impact, there would be no expected impact to the operating profit or net asset position.

A decision from the ATO regarding the revised assessments is expected in the next four to six weeks.

CAPITAL MANAGEMENT

The Company reaffirms, as announced to ASX on 24 November 2014, that if it has not established a better use for the Company's cash position before 31 March 2015, it will return a minimum of \$0.01 per share to shareholders. This may take the form of a special dividend or capital return; the Company will assess the best mechanism to return capital if, or when, the Company proceeds with the return. The mechanism used will then determine shareholder eligibility and regulatory requirements to complete the return at the time. The Company also believes that the listed options on issue (ASX: KRBO) are limiting to the Company's future ability to enter into corporate transactions; the Company is assessing the most efficient means of reducing this limitation and would ideally like all listed options on issue to be exercised.

ACTIVITIES AND STATUS OF PROJECT REVIEW

After the 11 November 2014 AGM the new Board of Directors agreed to undertake a thorough review of all the previous announcements and activities during the Period, prior to embarking upon an evaluation of the Company's tenement portfolio.

A corporate and exploration update statement was made by the new Management in an ASX announcement on 14 November 2014. This confirmed that the Company does not have an ongoing Rare Earth Elements (**REE**) project despite numerous claims to this effect made by the Company's previous Board and Management in the past. Also this update clarified the incorrect claims made of a copper discovery on the Tobermorey project in the Northern

Territory in ASX announcements on 23 and 27 October 2014, including an unjustified pre-announcement trading halt.

New Management and a consultant commenced an initial evaluation of the prospectivity and status of all the tenements held by the Company on 20 November 2014 with the objective of prioritising projects based on prospectivity / discovery potential and to make recommendations with respect to retaining projects and/or undertaking further exploration or joint venturing the tenements. In order to undertake this project review at a reasonably high technical level without assessing each and every annual and technical report, a pro forma 'Project Review' document was designed for the input of key data on each tenement and to hopefully elicit /summarise intellectual data on each project held by staff members and in consultant reports. This initial process was completed for all 14 tenements by 20th December 2014 when the Townsville office closed for the Christmas break.

The commencement of the Project Review coincided with a period of what can only be described as crisis management given the receipt of an Unauthorised Activity Notice and Instruction from a Northern Territory Mining Officer on 11 December 2014 to cease all work on the Tobermorey project. This is the project where recent drilling was undertaken by previous management without a number of clearances and permits being applied for from the relevant authorities. This matter is of grave concern and is consuming both management and consultant time to resolve. The Company is working closely with the relevant Officials to rectify this transgression.

In addition, statutory annual reports and relinquishments for six Queensland projects had to be addressed prior to the 20th December 2014 break, with submission of some already being late. This too consumed much time to rectify and bring up to date.

Completion of the assessment is still on schedule for late February, or latest early March 2015.

Scant regard has been awarded by the Company to rehabilitation of tracks made during exploration, drill holes and sites in general in the past. This legacy will be attended to once weather conditions permit. It is a contingent liability and will delay rationalisation of the tenements and incur unnecessary rental and other additional fees.

Digital data processing has not been completed in general and needs to be undertaken for proper assessment, which is an unexpected situation and again delaying what should have been a simple evaluation process.

There was a general lack of attention to detail in many aspects of the exploration work undertaken that led to gross waste of funds in many instances and unnecessary work being undertaken. The fiasco surrounding the planned drilling at Toomba (which was not possible due to permission to enter not being attained beforehand and then being denied), followed by the unauthorised activity drilling undertaken at Tobermorey is an example. This resulted in

direct costs (excluding GST) totalling \$497,000 to complete 12 holes (ranging from 10 to 151m deep) for a total of 1,277m. This equates to \$389/m and excludes Krucible's indirect employee costs, vehicles, equipment and corporate and administration expenses which would add at least another \$100,000 or \$78/m to a programme that was poorly planned, badly managed and achieved minimal results.

For interest the contractors and KRB staff left Townsville on 19th August and the last crew arrived back on the 10th November 2014 only to complete this 1,277m drilling programme, i.e. almost 3-months for a programme which should have taken no more than two weeks all-up.

To make matters worse, the contracted rig used had only limited rods available and after losing 70 metre of the rods, the programme was continued regardless with the remaining 70m of rods in an area with thick cover sequences, i.e. a senseless waste of money.

This blatant waste of shareholder funds is symptomatic of the lack of professionalism portrayed by previous management who clearly were not suitable or capable of running an exploration company such as Krucible.

The in-house tenement management procedures however are contained in a well-maintained manual entry spreadsheet system detailing critical dates for statutory reporting and relinquishments, expenditure history and future expenditure requirements. The only minor issue is that the manual entry of expenditure does give rise to a lag between monthly accounts and costs being accrued against tenements and this issue will be addressed.

Third Party Project Evaluation

Given the distressed state of the resource industry and markets, Krucible's cash balance places it in an enviable position. Many projects and companies are experiencing problems raising money and falling commodity prices have led many to go into administration.

While not feeling under any pressure to decide the future direction of the Company within a certain timeframe, Krucible's new management is mindful of many shareholders' stated wish for a return of some of the Company's capital and will make that decision by end March 2015 as previously stated.

Management is inundated with merger, investment and other corporate offers. Most are discarded after cursory investigations and thus far in excess of 10 have been investigated in detail including site visits in some instances. The Board has been presented with recommendations by Management to further approve assessing 5 of these and there are 2 more that seem worthy of more work. It is proposed that by early February 2015 the Company will have narrowed its evaluation procedure to one or a maximum of two on which due diligence can be undertaken.

All projects being assessed by the Company are being done so under confidentiality agreements and all discussions remain incomplete and non-binding.

Costs of Section 249D Notice Defense

Shareholders are advised that the previous Board of KRB incurred direct cost of \$127,300 in defending the Section 249D notice served on the Company in September 2014 which resulted in the shareholder meeting held on 11 November 2014 and the removal of Managing Director Allan Branch. These direct costs comprised share registry mail-out costs, legal fees and fees for professional proxy hunters and shareholder lobbyists and do not take into account other internal costs such as management time and corporate overheads.

There are clearly defined legal principals with a number of court decisions concerning the use of Company funds for a S249D defense; in summary the expenditure needs to be incurred bona fide and in the best interests of the Company and its shareholders. To act in a director's self-interest so as to perpetuate oneself in power or exclude unwanted rivals is not in the best interests of the Company and its shareholders. It is noted that the previous Board of KRB obtained detailed written legal advice on these principals.

The new Board of KRB believes that the costs incurred were excessive and, as was clearly demonstrated by the number of shareholder votes overwhelmingly supporting the issuer of the 249D notice, were not in the best interests of the Company and its shareholders.

The new KRB board is of the view that a reasonable cost for the 249D defense should have been in the region of \$15,000 to \$25,000 and are considering their options with regard to recovery of the excessive costs incurred.

For, and on behalf of, the Board of Directors of Krucible Metals Limited,

Dr Leon Pretorius

Executive Chairman

Krucible Metals Limited

29 January 2015

Forward Looking Statement

This report may contain forward-looking statements that are subject to risk factors that are based on Krucible Metals' expectations relating to future events. Forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside the control of Krucible, which could cause actual results to differ materially from such statements. Krucible Metals makes no undertaking to update or revise the forward-looking statements made in this report to reflect events or circumstances after the date of this release.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Krucible Metals Ltd

ABN

12 118 788 846

Quarter ended ("current quarter")

31 December 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(400)	(626)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(344)	(498)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	33	57
1.5	Interest and other costs of finance paid	(10)	(13)
1.6	Income taxes (paid)/R&D Offset received	-	91
1.7	Other	-	-
Net Operating Cash Flows		(721)	(989)
Cash flows related to investing activities (see note 2 in section 1.25 below)			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(60)	(146)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other- tenement security deposits	(2)	5
	Funds placed on term deposits(>3mths)	-	(4,025)
	Funds from expired term deposits (>3mths)	1,115	1,115
Net investing cash flows (See note 2 in section 1.25 below)		1,053	(3,051)
1.13	Total operating and investing cash flows (carried forward)	332	(4,040)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	332	(4,040)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	5	5
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings (mortgage)	-	325
1.17	Repayment of borrowings- mortgage	(314)	(325)
	Repayment of borrowings-lease payments	(16)	(27)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(325)	(22)
	Net increase (decrease) in cash held	7	(4,062)
1.20	Cash at beginning of quarter/year to date	1,746	5,815
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter (excl funds held on term deposit for > 3months- see 1.25 below)	1,753	1,753

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	80
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Included in Operating and Investing Cash Flows were the following items:

1. The cashflows reported above **exclude** amounts held in term deposits with reputable financial institutions for terms greater than 3 months. This is in accordance with the requirements of accounting standards and the treatment in the 30 June 2014 financial report. At 31 December 2014 the Company had **\$8.025 million** on term deposits with maturity periods of greater than 3 months. During the quarter a long term deposit for \$1.1 million matured and was placed with a reputable financial institution for a period of < 3 months. **Total cash on hand at 31 Dec 2014 including term deposits > 3 months maturity is \$9.78 million.**
2. Amounts paid to directors include salaries, directors' fees, superannuation and consulting fees totalling \$ 80k

Included in Financing Cash Flows were the following items:

1. The mortgage loan held over the Company's property at 113 Boundary Street, Townsville (established by the previous management in the first quarter of 2014/15) for was repaid during the current quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

+ See chapter 19 for defined terms.

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	147
4.2 Development	-
4.3 Production	-
4.4 Administration	210
Total	357

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	617	666
5.2 Deposits at call or term < 3 months	1,,136	1,080
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,753	1,746

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Nil			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

6.2	Interests in mining tenements acquired or increased	Nil			
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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)	-	-		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	80,508,565	80,508,565	Various	Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	95,428	95,428	A\$0.05	Fully Paid
7.5	+Convertible debt securities (description)	-	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	300,000 500,000 1,500,000 19,017,362	- - - 19,017,362	Exercise price 15 cents 15 cents 11.96 cents 5 cents	Expiry date 28/02/2015 08/05/2015 28/11/2015 23/01/2016
7.8	Issued during quarter	-	-		
7.9	Exercised during quarter	95,428	95,428	5 cents	01/12/2014

+ See chapter 19 for defined terms.

7.10	Expired/Cancelled during quarter	500,000	-	15 cents	11/11/2014
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 29 January 2015.
(Company Secretary)

Print name: D Lovell/ J Puckeridge

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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