

**Krucible Metals Limited**

ABN 12 118 788 846

Financial Statements for the year ended 30<sup>th</sup> June 2011

# Krucible Metals Limited

## Corporate Directory

### Board of Directors

A J (Tony) Alston – Managing Director and acting Chairman

Dennis J Lovell – Non-executive Director and Company Secretary

Ray L Koenig – Non-executive Director

### Registered Office

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

### Principal Place of Business

1/68 Railway Avenue  
Railway Estate  
Townsville QLD 4810

Telephone: (07) 4772 5880

Facsimile: (07) 4772 4999

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

### Auditors

BDO Audit (QLD) Pty Ltd  
Level 18, 300 Queen Street, Brisbane QLD 4000

Telephone: 07 3237 5999

Fax: 07 3221 9227

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

### Share Registry

Link Market Services Limited  
Level 19, ANZ Building, 324 Queen Street, Brisbane, QLD 4000  
Level 12, 680 George Street, Sydney NSW 2000

Telephone: (02) 8280 7454

Free Call: 1300 554 474

Facsimile: (07) 3228 4999

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

### Home Exchange

Australian Securities Exchange Ltd (ASX)  
Level 5 Riverside Centre, 123 Eagle Street, Brisbane QLD 4000  
ASX code **KRB**

# Krucible Metals Limited

## Directors' Report 2011

Krucible Metals Ltd ("the Company" or "Krucible") is an Australian Company listed on the Australian Securities Exchange Limited (ASX).

The Directors present their report together with the financial statements of the Company for the year ended 30<sup>th</sup> June 2011 and the auditor's report thereon.

### **Directors**

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

#### **Marcus Harris BSc (Hon), FAIG, FSEG, FAusIMM – Non-Executive Chairman**

Director since 28 June 2007. (Resigned 12<sup>th</sup> August 2011)

Marcus Harris is a geologist with 40 years of Australian and international experience specialising in mineral commodities including gold, nickel, base metals and uranium. He was the founding director and CEO of Dalrymple Resources from 1987 and remained with the company until it merged with LionOre in 2003. Dalrymple compiled a substantial portfolio of high quality tenements in Western Australia which lead to the discovery and development of the Thunderbox gold mine and the Waterloo nickel deposit in joint venture with LionOre. Dalrymple also discovered the Ulysses gold deposit that was mined in a joint venture by Sons of Gwalia and the St. Patricks - St. Andrews nickel deposits near Scotia, which are being actively explored by Breakaway Resources. Marcus held managerial roles in exploration and business development with Esso - Exxon groups mineral divisions in USA, Europe and Australia and prior to the overseas assignments he was site supervisory geologist when Scuddles copper-zinc mine was discovered at Golden Grove.

Marcus is a fellow of the Australian Institute of Geoscientists and takes a keen interest in supporting geoscientists especially in mentoring undergraduate students. He is also a fellow of the Society of Economic Geologists and a fellow of the Australian Institute of Mining and Metallurgy.

#### **Anthony (Tony) Alston BSc, MAusIMM, MAIG - Managing Director and Acting Chairman**

Director since 14 March 2006. (Acting chairman since 12 August 2011)

Tony Alston is a founding director of Krucible Metals Ltd and has over 30 years of experience in the minerals exploration industry.

He is a current member of the Australian Institute of Mining & Metallurgy (AusIMM) and the Australian Institute of Geologists (AIG).

Tony's previous roles, prior to forming Krucible in 2006, include Exploration Director for Glengarry Resources Ltd as well as Exploration Manager for Metana Minerals Ltd, Dominion Mining Ltd and Matrix Metals Ltd.

His past experience encompasses a wide range of commodities in most States of Australia and includes exploration success in leading teams that discovered various gold and copper / gold deposits in Queensland.

## Krucible Metals Limited Directors' Report 2011

Tony has a track record of assembling strategic tenement portfolios adjacent to mineralised belts and highlighting target areas within the ground acquired. Subsequent exploration has led to generation of drill targets, some of which have resulted in new minerals discoveries.

Over the last 4 years Tony has concentrated on assembling tenements in the Mount Isa and Diamantina District of north west Queensland and the Northern Territory, with an emphasis on acquiring ground that is prospective for large scale copper, lead & zinc mineralisation such as Mount Isa and iron oxide, copper gold mineralisation such as Ernest Henry and Olympic Dam.

### **Dennis Lovell CA – Non-Executive Director and Company Secretary**

Director since 28 June 2007.

Dennis Lovell is a Chartered Accountant with more than 40 years of experience in corporate financial management in a range of industries including mineral exploration, mining, manufacturing and wholesale and retail operations in Australia and overseas.

He has consulted to a number of ASX listing and capital raising projects and has acted as company secretary and financial director to a number of public listed companies.

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

Director since 9 July 2009.

Ray retired from the position of Global Manager for Mining and Resources at GHD in June 2009 and has over 40 years of experience in the mining and the engineering and construction industries.

Ray has extensive experience in metallurgy, plant design, plant management, feasibility studies and project management and will bring strength to the company board in these specialised areas, as the company advances its phosphate discovery.

### **Principal Activities**

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

- (a) the acquisition of exploration tenements and the carrying out of mineral exploration activities on those tenements;
- (b) Conducting scoping and marketing studies to develop the Korella high grade rock phosphate deposit.

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

### **Operating Results**

The net operating loss of the company was \$1,536,726 (2010: loss \$571,174)

# Krucible Metals Limited

## Directors' Report 2011

### Review of Operations

#### Exploration Activities Report

#### 1. HIGHLIGHTS/OVERVIEW

Krucible Metals Ltd is a diversified Australian owned minerals explorer with a proud discovery history, since listing on the ASX in November 2007.

During the last year Krucible has advanced the **KORELLA PHOSPHATE PROJECT** beyond a Scoping Study and is in the final stages of negotiations and documentation for the Mining Lease Application – this is expected to be granted by early 2012.

The **2010 Scoping Study** estimated that, with the **Inferred Resource of 5.0 million tonnes @ 30.8% P<sub>2</sub>O<sub>5</sub> (phosphate)**, up to 600,000 tonnes per year could be sustained for around 6 years. A high grade Direct Shipping Ore (DSO) component could be mined economically as a stand alone operation providing rock phosphate prices remain above \$180/tonne.

The Scoping Study estimated a **NPV (Net Profit Value) of \$83 million** for the Phosphate deposit at Korella – this assumes a rock phosphate price of \$200 per tonne (price range currently \$180 - \$220 per tonne). Phosphate and fertiliser demand is expected to greatly increase in the coming years due to increasing food consumption, decreasing arable land and concerns over security of supply from North Africa.

In early 2011 Krucible also outlined a **RARE EARTH ELEMENT (REE) deposit at KORELLA**. This lies immediately above the phosphate enrichment zone as well as closely adjacent to the west.

Krucible has outlined a JORC Code Inferred Resource (using 500ppm Yttrium (Y) lower cut-off grade) of **4.2 MT @ 746ppm Y (0.96 kg/t Y<sub>2</sub>O<sub>3</sub>)**. The average depth of the unit is less than 30metres. This Inferred Resource is expected to increase with further drilling in 2011/12.

Anomalous zones of other valuable heavy Rare Earths, such as Dysprosium (Dy) and Neodymium (Nd) have also been intersected in drilling to date.

The discovery of significant Yttrium dominated Rare Earth Metals (REE's) at Korella, in a unit overlying high grade phosphate may favourably change the project economics, as this unit (which was previously assessed as waste) would have to be mined to extract the phosphate.

Krucible is currently assessing the mineralogy and metallurgy of the Yttrium mineral Xenotime (YPO<sub>4</sub>), to determine how these REEs may be economically extracted.

Yttrium and other heavy REEs are valuable, vital and non-replaceable components of the expanding modern technology industry; including computers, mobile phones, TVs, hybrid cars, defence communications, wind turbines, jet turbines, water treatment and a lot more.

The price of heavy REEs has rapidly escalated in 2011 due to embargoes on exports of Rare Earths from China, who control over 90% of the world market.

Krucible also carried out a number of exploration programs in 2010/11 testing **IRON OXIDE – COPPER – GOLD (IOCG) targets in the ISA SOUTH REGION**.

## Krucible Metals Limited Directors' Report 2011

At the **Pilgrim** tenement (located 15km North of the Phosphate Hill Mine) the Company intersected wide zones of strong "red rock" alteration (hematite/magnetite plus sulphides) with narrow intersections up to **5% Copper and 2.4 g/t Gold** associated with a strong magnetic anomaly. Further drill testing of this zone is required (below 300m vertical).

Anomalous values of Silver, Uranium and Molybdenum have also been returned from drilling at **Pilgrim**.

At the **Garnet Prospect** (Squirrel Hills tenement) first pass drill testing of a "blind" magnetic and gravity anomaly was carried out. This target is obscured by 80-100 metres of barren sedimentary cover and is located about 15km south of the Cannington Silver-Lead-Zinc Mine (owned and operated by BHP Billiton Ltd).

Early stage drilling at **Garnet** has been very encouraging with up to 1% Copper returned from a number of holes as well as anomalous Gold, Uranium and Rare Earths. Further drill testing is planned for late 2011 and early 2012.

Further exploration in the **Diamantina** has been disrupted by unusually heavy rain and hundred year flooding. Exciting projects **Toomba** and **Kamaran Downs** have targets ready to drill for Copper – Gold and associated metals in 2012. Krucible has been awarded drilling subsidies by the Queensland Government for these two tenements. We have recently extended the land holding into the Northern Territory with the now granted **Tobermorey** tenement – which is considered to be very prospective for **Carlin style epithermal Gold** mineralisation.

### 2. TENEMENTS

Krucible Metals Ltd currently has a total of about 10,396sq.km under tenement in the Mount Isa and Diamantina regions of western Queensland. This comprises 14 granted EPMs (Exploration Permits for Minerals) covering 4,376sq.km and 14 EPM Applications covering 6,020sq.km. The Company also has a Joint Venture with Deep Yellow on the Pilgrim EPM 15072 and has earned 80% equity - Krucible can advance to 100% ownership of this EPM by issue of 1.2 million fully paid KRB shares to DYL.

In addition Korella Phosphate Pty Ltd (a wholly owned subsidiary of Krucible) has pegged a Mining Lease Application (MLA 90209) next to the Phosphate Hill Mine – this covers 1,577 hectares.

### 3. EXPLORATION MODELS & TARGETS

In the Mount Isa Region the Krucible ground is mainly located on the margins of the outcropping Proterozoic basement, to the south and west of Mount Isa where there are opportunities for mineral discovery under shallow cover because of lack of systematic work by previous explorers.

These tenements are largely clustered in the southern Mount Isa region near the Cannington, Osborne, Selwyn, Tick Hill and Phosphate Hill Mines as well as west of the Mount Isa and Hilton Mines.

The targets sought are large Copper/Gold Iron Oxide (IOCG) deposits such as Ernest Henry and Olympic Dam; Sedex style massive sulphide basemetal deposits such as Mount Isa, Cannington and Broken Hill; high grade gold deposits such as Tick Hill and high grade Phosphate deposits. Unconformity and replacement style Uranium deposits such as Valhalla and Mary Kathleen are also targeted, with possible associated Rare Earths.

# Krucible Metals Limited

## Directors' Report 2011

### 4. DRILLING STATISTICS & EXPLORATION EXPENDITURE

During 2010/11 drilling programs were carried out on three separate tenements. In total 47 holes were drilled for a total of 6,517 metres. The breakdown of the drilling in 2010/11 is tabled below;

- 🏠 Merlin Tank EPM 15811 (Copper/Gold)
  - 4 RC percussion holes for 625 metres
- 🏠 Squirrel Hills EPM 15354 (Copper/Gold/Uranium/REE)
  - 24 RC percussion holes for 3,024 metres
- 🏠 Pilgrim EPM 15072 (Copper/Gold and Phosphate)
  - 15 RC percussion holes for 2,163 metres
  - 4 diamond drilling holes for 705 metres

The direct drilling and assay costs (including earthworks for site preparation) for the year were 42% of total exploration and development costs (Korella Feasibility and Mining Lease Application). However when the Korella Development costs are included the direct costs were 48% of exploration expenditure. This reflects the Companies relatively low overheads and policy of directing shareholder funds to “in ground” expenditure, to maximise possible returns.

### 5. EXPLORATION AND EVALUATION EXPENDITURE

The Board has taken the conservative view that certain accumulated exploration and evaluation expenditures 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.

#### End of Exploration Activities Report

#### 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 2011

### Options

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

Number	Type	Exercise price	Expiry date
1,820,000	Director	25 cents	15 November 2011
50,000	Employee	45 cents	30 September 2011
1,100,000	Director	50 cents	27 November 2012
50,000	Employee	45 cents	16 December 2012
150,000	Employee	38 cents	11 October 2013
270,000	Employee	24 cents	12 August 2013

150,000 employee options were issued, 50,000 employee options were exercised and 680,000 director options were exercised during the financial year.

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 200,000 director options were exercised. These options had an exercise price of 25 cents and an expiry date of 15 November 2011.

270,000 employee options were issued subsequent to year end. These have a 24 cents exercise price and an expiry date of 12 August 2014.

Subsequent to year end the Group put in place a share purchase plan to raise a maximum of \$3,390,606. Shares will be issued under the plan at 18 cents per share. The closing date for the plan is 7 October 2011.

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



# Krucible Metals Limited

## Directors' Report 2011

### Meetings of Directors

The table below sets out the number of meetings of directors held during the year ended 30<sup>th</sup> June 2011 and the number attended by each director:

Director	Meetings eligible to attend	Meetings attended
M F Harris	3	3
A J Alston	3	3
D J Lovell	3	3
R L Koenig	3	3

There were no separately constituted meetings of the Corporate Governance, Audit and Risk Management and Remuneration Committees 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.

### 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

#### (a) Remuneration Policy

A separate Remuneration Committee has not been established and the full Board is charged with the duties of the Remuneration Committee in making recommendations as to all aspects of executive and non-executive director and management and consultant remuneration packages.

- (i) The Board 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.

## Krucible Metals Limited Directors' Report 2011

- (ii) In performing its role, the Board 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 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 set 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.

To align directors' interests with those of shareholders, the directors are encouraged to hold shares in the company.

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 an Employee Share Option Plan and may issue options 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.

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

The Company is presently in exploration and evaluation stage and has consequently incurred a net operating loss of \$1,536,726 (2010: \$571,174) for the financial year.

The Company listed on the ASX in November 2007 at an issue price of \$0.20 per share and the share price at the end of the financial year was \$0.205.

No dividend was paid or share capital returned during the year.

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

# Krucible Metals Limited

## Directors' Report 2011

The following persons acted as Directors of the Company during the financial year and are considered to be key management personnel of the company:

Marcus F Harris – Non-executive Chairman (Resigned 12 August 2011)

A J (Tony) Alston – Managing Director (Acting chairman since 12 August 2011)

Dennis J Lovell – Non-executive Director and Company Secretary

Ray L Koenig – Non-executive Director

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

### **(b) Service Contracts**

The employment conditions of the Managing Director and Company Secretary have been formalised in contracts as follows:

Name	Position	Agreement Type	Duration	Termination notice period
A J Alston	Managing Director	Executive services agreement	Expiring on 15 November 2013	6 months
D J Lovell	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 company secretary is by way of fees paid to Lovell & Co Pty Ltd (a company associated with D J Lovell) for secretarial, accounting and administration services provided to the Company and invoiced on an hourly basis. Fees paid to Lovell & Co Pty Ltd during the financial year totaled \$40,163 (2010: \$48,045) excluding GST. These fees are included in the remuneration table below. Mr Lovell was also paid an annual directors' fee of \$20,000 (2010: \$20,000)

Remuneration of non-executive director Ray Koenig is by way of consulting fees paid to Koenig Consulting Pty Ltd (a company associated with R Koenig) for technical consulting services provided to the Company and invoiced on an hourly basis. Fees paid to Koenig Consulting Pty Ltd during the financial year totaled \$27,540 (2010: \$66,950) excluding GST. Mr Koenig was also paid an annual directors' fee of \$25,000 (2010: \$25,000)

# Krucible Metals Limited

## Directors' Report 2011

### (c) Remuneration Details

2011 Directors	Short term benefits		Post employment benefits	Share based payments	Total	% Total issued as options	% Total performance related
	Salary & Fees	Non-cash benefit	Super - annuation	Options			
	\$	\$	\$	\$	\$	%	%
M F Harris	25,000	-	2,250	-	27,250	-	-
A J Alston	176,000	-	42,000	-	218,000	-	-
D J Lovell	60,163	-	1,800	-	61,963	-	-
R L Koenig	52,540	-	2,250	-	54,790	-	-
	313,703	-	48,300	-	362,003	-	-

2010 Directors	Short term benefits		Post employment benefits	Share based payments	Total	% Total issued as options	% Total performance related
	Salary & Fees	Non-cash benefit	Super - annuation	Options			
	\$	\$	\$	\$	\$	%	%
M F Harris	25,000	-	2,250	33,400	60,650	55	-
A J Alston	154,375	-	50,000	33,400	237,775	14	-
D J Lovell	68,045	-	1,800	33,400	103,245	32	-
R L Koenig	91,950	-	2,250	83,500	177,700	47	-
	339,370	-	56,300	183,700	579,370	32	-

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

### (d) Share based payments

#### 2011 Financial year:

No options were issued as part of remuneration to the directors during the 2011 financial year.

No director options lapsed during the 2011 year.

## Krucible Metals Limited Directors' Report 2011

The directors exercised 680,000 15 November 2011 \$0.25 options during the 2011 year. The intrinsic value of the options at the date they were exercised was \$0.02.

### 2010 Financial year:

Details of options over ordinary shares in the company issued as part of remuneration to directors during the financial year were as follows:

Director	Grant and vested number of options	Grant and vesting date	Fair value per option at grant date	Exercise price	Expiry date	% Total vested at 30 June 2010
M F Harris	200,000	27-11-2009	16.7 cents	\$0.50	27-11-2012	100
A J Alston	200,000	27-11-2009	16.7 cents	\$0.50	27-11-2012	100
D J Lovell	200,000	27-11-2009	16.7 cents	\$0.50	27-11-2012	100
R L Koenig	500,000	27-11-2009	16.7 cents	\$0.50	27-11-2012	100

No director options lapsed during the 2010 year.

No director options were exercised during the 2010 year.

No amount was paid or payable for the options granted.

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

### **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 \$0.25 15 November 2011	Options \$0.50 27 November 2012
A J Alston	6,814,376	820,000	200,000
D J Lovell	220,000	600,000	200,000
R L Koenig	125,000	-	500,000

### **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.

# Krucible Metals Limited

## Directors' Report 2011

### **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 willful 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 \$8,366 excluding GST.

### **Auditor's Independence Declaration**

The company's auditor, BDO Audit (QLD) 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.

Signed in accordance with a resolution of the board of directors on 30 September 2011.



A J Alston – Managing Director.



D J Lovell – Director

## **DECLARATION OF INDEPENDENCE BY A J WHYTE TO THE DIRECTORS OF KRUCIBLE METALS LIMITED**

As lead auditor of Krucible Metals Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

**A J Whyte**

Director



**BDO Audit (QLD) Pty Ltd**

Brisbane: 30 September 2011

# Krucible Metals Limited

## Corporate Governance Statement 2011

### CORPORATE GOVERNANCE STATEMENT

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 are 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 PRINCIPAL 2: STRUCTURE THE BOARD TO ADD VALUE

**Recommendation 2.1:** A majority of the board should be independent directors.

**Explanation for Departure:** The Board comprises four directors, two of which are independent. The remaining two directors are not independent because one is employed in an executive capacity as Managing Director and the other is also the Company Secretary and Chief Financial Officer and neither can be considered as independent. The Board considers that the merits of appointing additional directors in order to achieve majority independent status are outweighed by the Board's wish to maintain a relatively small board with relevant experience, which the Board believes is adequate having regard to the operations of the Company.

**Recommendation 2.2:** The Chairman should be an independent director.

**Notification of Departure:** The independent Chairman has recently resigned for personal family reasons. The Managing Director is temporarily acting as chairman until a suitable replacement independent chairman can be appointed. It is therefore regarded that the Company is normally in compliance with this requirement and the current non-compliance is of a temporary nature.

Given the size of the industry in which it operates, the current Board structure is considered to best serve the Company in meeting its objectives, given its small capitalization, limited resources and existing operations. The composition of the Board will be reviewed on an annual basis to ensure that the board has the appropriate mix of expertise and experience.

**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.



## Krucible Metals Limited

### Corporate Governance Statement 2011

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 PRINCIPAL 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 PRINCIPAL 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:** There is no separate remuneration committee.

Due to the size and nature of the Company, a separate remuneration committee is not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board considers that it is more appropriate that it 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 the Board processes that would otherwise be considered by the remuneration committee.

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.

# Krucible Metals Limited

## Corporate Governance Statement 2011

**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 Board considers that this is a necessary motivation to attract the highest caliber candidates to the Board at this stage in the Company's operations. The Company currently has two non-executive directors.

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	No
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>		

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Corporate Governance Statement 2011

	<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 trading in company securities by directors, senior executives and employees and disclose the policy or a summary.	Securities trading policy	Yes
3.3	Provide the information indicated in the Guide to reporting on principle 3.	Codes of conduct	Yes
<b>Principle #</b>	<b>ASX Corporate Governance Council Recommendations</b>	<b>Reference</b>	<b>Comply</b>
<b>Principle 4</b>	<b>Safeguard integrity in financial reporting</b>		
4.1	The Board should establish an audit committee.	Audit charter	Yes
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

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Corporate Governance Statement 2011

<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 and the chief financial officer 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	No
8.2	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

\*Temporarily non-compliant until replacement independent chairman is appointed

# Krucible Metals Limited

## Financial Statements

### Consolidated Statement of Comprehensive Income for the year ended 30 June 2011

		<b>2011</b>	<b>2010</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Revenue	4	155,951	192,101
Depreciation and amortisation expense	5	(30,352)	(26,623)
Loss on disposal-non-current assets		(2,201)	-
Employee benefits expense	5	(183,208)	(411,407)
Administration expenses	5	(292,200)	(307,529)
Exploration expenditure writeoff	5	<u>(1,184,716)</u>	<u>(17,716)</u>
<b>Loss before income tax</b>		<b>(1,536,726)</b>	<b>(571,174)</b>
Income tax expense	6	<u>-</u>	<u>-</u>
<b>Loss for the year</b>		<b><u>(1,536,726)</u></b>	<b><u>(571,174)</u></b>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<b><u>(1,536,726)</u></b>	<b><u>(571,174)</u></b>
<b>Earnings per share</b>	21	<b>cents</b>	<b>cents</b>
Basic and diluted loss per share		(2.47)	(0.97)

The above consolidated statement of 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 2011

	Note	2011 \$	2010 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	2,017,726	3,960,371
Trade and other receivables	9	38,264	80,059
<b>Total current assets</b>		<u>2,055,990</u>	<u>4,040,430</u>
<b>Non-current assets</b>			
Trade and other receivables	9	90,000	90,000
Property, plant and equipment	10	83,896	89,998
Exploration and evaluation assets	11	5,211,508	4,545,825
<b>Total non-current assets</b>		<u>5,385,404</u>	<u>4,725,823</u>
<b>Total assets</b>		<u>7,441,394</u>	<u>8,766,253</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	283,159	274,192
<b>Total current liabilities</b>		<u>283,159</u>	<u>274,192</u>
<b>Total liabilities</b>		<u>283,159</u>	<u>274,192</u>
<b>Net assets</b>		<u>7,158,235</u>	<u>8,492,061</u>
<b>EQUITY</b>			
Contributed equity	13	9,823,032	9,640,532
Share option reserve	14	389,689	369,289
Accumulated losses		<u>(3,054,486)</u>	<u>(1,517,760)</u>
<b>Total equity</b>		<u>7,158,235</u>	<u>8,492,061</u>

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 2011

	Contributed Equity \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
<b>At 30 June 2009</b>	<b>7,090,973</b>	<b>174,489</b>	<b>(946,586)</b>	<b>6,318,876</b>
Loss for the year	-	-	(571,174)	(571,174)
<b>Transactions with owners in their capacity as owners:</b>				
Issue of shares, net of costs	2,549,559	-	-	2,549,559
Share-based payments	-	194,800	-	194,800
<b>At 30 June 2010</b>	<b>9,640,532</b>	<b>369,289</b>	<b>(1,517,760)</b>	<b>8,492,061</b>
Loss for the year	-	-	(1,536,726)	(1,536,726)
<b>Transactions with owners in their capacity as owners:</b>				
Issue of shares, net of costs	182,500	-	-	182,500
Share-based payments	-	20,400	-	20,400
<b>At 30 June 2011</b>	<b>9,823,032</b>	<b>389,689</b>	<b>(3,054,486)</b>	<b>7,158,235</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 2011

	<b>Note</b>	<b>2011 \$</b>	<b>2010 \$</b>
<b>Cash flows from operating activities</b>			
Cash paid to suppliers and employees		(439,604)	(491,843)
Interest received		<u>191,715</u>	<u>175,135</u>
<b>Net cash inflow/(outflow) from operating activities</b>	16	<u>(247,889)</u>	<u>(316,708)</u>
<b>Cash flows from investing activities</b>			
Payment for exploration and evaluation assets		(1,850,806)	(1,611,292)
Purchase of property, plant and equipment		(26,450)	(5,418)
Recovery of/(payment for) security deposits		<u>-</u>	<u>34,999</u>
<b>Net cash inflow/(outflow) from investing activities</b>		<u>(1,877,256)</u>	<u>(1,581,711)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		182,500	2,720,000
Costs of Share Issue		<u>-</u>	<u>(170,441)</u>
<b>Net cash inflow/(outflow) from financing activities</b>		<u>182,500</u>	<u>2,549,559</u>
Net increase / (decrease) in cash and cash equivalents		(1,942,645)	651,140
Cash and cash equivalents at beginning of year		<u>3,960,371</u>	<u>3,309,231</u>
<b>Cash and cash equivalents at end of year</b>	8	<u><u>2,017,726</u></u>	<u><u>3,960,371</u></u>

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



# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2011

### **CORPORATE INFORMATION**

The financial statements of Krucible Metals Limited for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors on 30 September 2011 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 financial statements have also been prepared on an accruals basis and are 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).

The financial statements have been prepared on a going concern basis. The going concern basis contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the Group to continue to adopt the going concern basis is dependent on a number of matters including the successful raising in the future of necessary funding and/or the successful exploration and subsequent exploitation of the Group's tenements. In the event that the Group is unable to raise future funding requirements there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern with the result that the Group may be required to realise its assets at amounts different to those currently recognised, settle liabilities other than in the ordinary course of business and make provision for costs which may arise as a result of cessation or curtailment of normal business operations.

No new Australian Accounting Standards that have been issued but are not yet effective, have been applied in the preparation of this financial report. Such standards are not expected to have a material impact on the company's financial statements on initial application.

#### **(b) Income Tax**

The income tax expense for the period is the tax payable on the current period's taxable income 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.

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2011

### **1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

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.

#### **(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.

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) 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.

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2011

### **1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

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

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.

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2011

### **1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

#### **(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.

##### **(a) 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.

#### **(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 2011

### **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.

### **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.

There have been no critical accounting estimates or other accounting judgements applied in the preparation of the financial statements other than disclosed elsewhere in these financial statements.

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2011

### 3. SEGMENT INFORMATION

Segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker being the board of directors.

The company is managed primarily on the basis of exploration tenements. Operating segments are therefore determined on the same basis.

The company operates in one region, being Western Queensland. Across this region the company is targeting two types of deposits, being phosphate for the fertiliser market and metals.

The segment information provided to the board of directors for the year ended 30 June 2011 is as follows:

	<b>Western Queensland</b>		<b>Total</b>
	<b>Phosphate/Fertiliser</b>	<b>Metals</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Segment assets – 30 June 2011	1,565,571	3,645,936	5,211,507
Segment assets – 30 June 2010	1,550,705	2,995,120	4,545,825

There is no revenue earned within the above operating segments.

\$1,184,716 of exploration expenditure within the metals segment was impaired during the year (2010:\$17,716).

### 4. REVENUE

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>From continuing operations</b>		
Interest – cash and cash equivalents	<u>155,951</u>	<u>191,161</u>
<b>Other income</b>		
Profit on disposal-non-current assets	<u>-</u>	<u>940</u>
	<u><u>155,951</u></u>	<u><u>192,101</u></u>

Krucible Metals Limited  
Notes to the Financial Statements for the year ended 30 June 2011

**5. EXPENSES**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Profit(loss) before income tax includes the following specific expenses:		
<b>(a) Depreciation expense:</b>		
Motor vehicles	15,078	10,982
Field equipment	14,148	13,302
Office equipment and furniture	245	245
Computer equipment	881	2,094
Total Depreciation	<u>30,352</u>	<u>26,623</u>
<b>(b) Other expenses</b>		
<i>(i) Employee benefits</i>		
Wages and salaries	383,445	346,353
Directors' fees	70,000	70,000
Defined contribution superannuation expense	66,970	73,782
Other employee benefits	44,626	49,454
Less: Capitalised to exploration	<u>(402,233)</u>	<u>(322,982)</u>
	162,808	216,607
Share based payments	<u>20,400</u>	<u>194,800</u>
	<u>183,208</u>	<u>411,407</u>
<i>(ii) Administration and other expenses</i>		
Administration expenses	201,792	200,336
Audit fees	21,500	23,689
Consulting/legal fees	47,630	63,268
Office accommodation	<u>21,278</u>	<u>20,236</u>
	<u>292,200</u>	<u>307,529</u>
Exploration expenditure written off	<u>1,184,716</u>	<u>17,716</u>

Krucible Metals Limited  
Notes to the Financial Statements for the year ended 30 June 2011

**6. INCOME TAX EXPENSE**

	2011	2010
	\$	\$
<b>(a) Income tax expense</b>		
The components of income tax expense comprise:		
Current tax	(675,952)	(637,635)
Deferred tax	221,054	524,723
Tax loss not recognised	454,898	112,912
Tax expense	<u>-</u>	<u>-</u>
<b>(b) Reconciliation of income tax to operating loss</b>		
Operating loss before income tax	1,536,726	571,174
Potential income tax benefit at 30% (2010: 30%) on loss from ordinary activities before income tax	461,018	171,352
Non-allowable items	(6,120)	(58,440)
Tax loss not recognised	(454,898)	(112,912)
<b>Total income tax expense in income statement</b>	<u>-</u>	<u>-</u>
The estimated income tax losses available and allowable capital expenditure are as follows:		
Income tax losses including exploration and allowable capital expenditure	<u>7,925,470</u>	<u>5,672,298</u>

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



Krucible Metals Limited  
Notes to the Financial Statements for the year ended 30 June 2011

**7.AUDITOR'S REMUNERATION**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Amounts paid/payable to BDO for:		
Audit or review of the financial reports	21,500	23,689
Non-audit services	-	-
	<u>21,500</u>	<u>23,689</u>

**8.CASH AND CASH EQUIVALENTS**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	590,176	371,997
Deposits at call	<u>1,427,550</u>	<u>3,588,374</u>
	<u>2,017,726</u>	<u>3,960,371</u>

**9.TRADE AND OTHER RECEIVABLES**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Other receivables	<u>38,264</u>	<u>80,059</u>
<b>Non-Current</b>		
Security deposits	<u>90,000</u>	<u>90,000</u>
No receivables were past due or impaired at year end (2010:nil).		

**10.PROPERTY, PLANT AND EQUIPMENT**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Field equipment</b>		
At cost	84,811	84,811
Accumulated depreciation	<u>(43,072)</u>	<u>(28,924)</u>
Written down value	<u>41,739</u>	<u>55,887</u>
<b>Computer equipment</b>		
At cost	10,484	8,479
Accumulated depreciation	<u>(8,792)</u>	<u>(7,911)</u>
Written down value	<u>1,692</u>	<u>568</u>
<b>Office equipment &amp; Furniture</b>		
At cost	1,541	1,541
Accumulated depreciation	<u>(813)</u>	<u>(568)</u>
Written down value	<u>728</u>	<u>973</u>
<b>Motor Vehicles</b>		
At cost	79,256	60,711
Accumulated depreciation	<u>(39,519)</u>	<u>(28,141)</u>
Written down value	<u>39,737</u>	<u>32,570</u>
Total non-current property, plant and equipment	<u>83,896</u>	<u>89,998</u>

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2011

### 10.PROPERTY, PLANT AND EQUIPMENT (cont)

#### Revaluations

No property, plant and equipment has been reported in these statements at a revalued amount.

#### 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:

	2011 \$	2010 \$
<b>Field equipment</b>		
Carrying amount at beginning of financial year	55,887	62,831
Additions	-	6,508
Disposals	-	(150)
Depreciation	(14,148)	(13,302)
Carrying amount at end of financial year	<u>41,739</u>	<u>55,887</u>
<b>Computer equipment</b>		
Carrying amount at beginning of financial year	568	2,662
Additions	2,005	-
Depreciation	(881)	(2,094)
Carrying amount at end of financial year	<u>1,692</u>	<u>568</u>
<b>Office equipment &amp; Furniture</b>		
Carrying amount at beginning of financial year	973	1,218
Additions	-	-
Depreciation	(245)	(245)
Carrying amount at end of financial year	<u>728</u>	<u>973</u>
<b>Motor Vehicles</b>		
Carrying amount at beginning of financial year	32,570	43,552
Additions	24,545	-
Disposals	(2,300)	-
Depreciation	(15,078)	(10,982)
Carrying amount at end of financial year	<u>39,737</u>	<u>32,570</u>

Krucible Metals Limited  
Notes to the Financial Statements for the year ended 30 June 2011

**11.EXPLORATION AND EVALUATION ASSETS**

<b>Capitalised exploration and evaluation expenditure</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Carrying amount in respect of areas of interest in exploration and evaluation phase at beginning of year	4,545,825	2,848,708
Expenditure incurred during the year on:		
Exploration of tenements	1,850,399	1,714,832
Less: Exploration written off	(1,184,716)	(17,716)
Carrying amount in respect of areas of interest in exploration and evaluation phase at end of year	5,211,508	4,545,825

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.

EPM 15072 expired on 27 March 2011. An application for the renewal of this EPM has been lodged.

**12.TRADE AND OTHER PAYABLES**

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Trade payables	185,143	179,118
Other payables	40,261	47,176
Employee benefits	57,755	47,898
	<u>283,159</u>	<u>274,192</u>

**13. CONTRIBUTED EQUITY**

	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>No.Shares</b>	<b>\$</b>	<b>No.Shares</b>	<b>\$</b>
<b>(a) Share capital</b>				
<i>Ordinary shares</i>				
Fully paid	62,589,100	9,823,032	61,859,100	9,640,532

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

<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>Issue price \$</b>	<b>\$</b>
30 Jun 2009	Closing balance	53,359,100		7,090,973
Oct 2009	Share placement	8,000,000	0.32	2,560,000
Oct 2009	Costs of placement	-		(170,441)
Dec 2009	Share issue	500,000	0.32	160,000
30 Jun 2010	Closing balance	61,859,100		9,640,532
Aug 2010	Options exercised	120,000	0.25	30,000
Nov 2010	Options exercised	200,000	0.25	50,000
Feb 2011	Options exercised	160,000	0.25	40,000
Apr 2011	Options exercised	50,000	0.25	12,500
Jun 2011	Options exercised	200,000	0.25	50,000
30 Jun 2011	Closing balance	62,589,100		9,823,032

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2011

### 13. CONTRIBUTED EQUITY (cont)

#### (c) Ordinary Shares

Ordinary shares have no par value and the company does not have a limited amount of authorised capital. Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands. On a poll each share is entitled to one vote.

#### (d) Options

During the year ended 30 June 2011 680,000 Director options with an exercise price of \$0.25 each expiring 15 November 2011 were exercised. 150,000 options were issued to employees in terms of the Krucible Employee Share Option Plan with an exercise price of \$0.38 each expiring 11 October 2013. 50,000 \$0.25 employee options expiring 30 March 2011 lapsed during the year.

During the year ended 30 June 2010 1,100,000 Director options were issued at an exercise price of \$0.50 each expiring 27 November 2012 and 50,000 options were issued to an employee in terms of the Krucible Employee Share Option Plan with an exercise price of \$0.45 each expiring 16 December 2012. No options were exercised or lapsed during the year.

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

Number	Type	Exercise price	Expiry date
2,020,000	Director	25 cents	15 November 2011
50,000	Employee	45 cents	30 September 2011
1,100,000	Director	50 cents	27 November 2012
50,000	Employee	45 cents	16 December 2012
150,000	Employee	38 cents	11 October 2013

### 14. SHARE OPTION RESERVE

The share option reserve records items recognised as expenses on granting of director and employee share options.

	2011 \$	2010 \$
Opening balance	369,289	174,489
Options issued to directors	-	183,700
Options issued to employees	20,400	11,100
Closing balance	<u>389,689</u>	<u>369,289</u>

### 15. 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.

Krucible Metals Limited  
Notes to the Financial Statements for the year ended 30 June 2011

**15. FINANCIAL RISK MANAGEMENT (cont)**

<b>Categories of Financial Instruments</b>	<b>Carrying amount \$</b>	<b>Contractual cashflow \$</b>	<b>Maturing in one year or less \$</b>	<b>Maturing in 1 to 5 years \$</b>	<b>Weighted Average Effective interest rate %</b>
<b>Year ended 2011</b>					
<u>Financial Assets</u>					
Cash and cash equivalents	2,017,726	2,017,726	2,017,726	-	5.1-6.4%
Trade and other receivables	128,264	128,264	38,264	90,000	N/A
<u>Financial Liabilities</u>					
Trade and other payables	(283,160)	(283,160)	(283,160)	-	N/A
<b>Year ended 2010</b>					
<u>Financial Assets</u>					
Cash and cash equivalents	3,960,371	3,960,371	3,960,371	-	4-6%
Trade and other receivables	170,059	170,059	80,059	90,000	N/A
<u>Financial Liabilities</u>					
Trade and other payables	(274,192)	(274,192)	(274,192)	-	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 reports from the Financial Controller 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.

There is no material concentration of credit risk as the Group did not have customers during the year.

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.

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2011

### 15. FINANCIAL RISK MANAGEMENT (cont)

#### (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 2011 approximately 71% (2010: 91%) 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.

#### (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 no debt financing at balance date (2010: 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.

### 16. CASH FLOW INFORMATION

	2011	2010
	\$	\$
<b>Reconciliation of profit (loss) after income tax to net cash flow from operating activities</b>		
Profit (loss) for the year	(1,536,726)	(571,174)
Depreciation and amortisation	30,352	26,621
Non-cash share-based payments expense	20,400	194,800
(Profit)/loss on disposal of non-current asset	2,201	(940)
Exploration expenses written off	1,184,716	17,716
Change in operating assets and liabilities:		
-(increase)/decrease in receivables	41,794	8,892
- increase/(decrease) in trade and other payables	9,374	7,377
Net cash flow from operating activities	<u>(247,889)</u>	<u>(316,708)</u>

Krucible Metals Limited  
Notes to the Financial Statements for the year ended 30 June 2011

**17. SHARE-BASED PAYMENTS**

	2011 \$	2010 \$
<b>Share-based payment expenses recognised during the financial year</b>		
Equity settled options issued to directors	-	183,700
Equity settled options issued to employees	20,400	11,100
	20,400	194,800

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

- (a) On 12<sup>th</sup> October 2010, 150,000 share options were issued to employees in terms of the Krucible Employee Share Option Plan with an exercise price of \$0.38 each and an expiry date of 11<sup>th</sup> October 2013.
- (b) The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.79 years. (2010: 1.66 years).

The weighted average exercise price of share options outstanding at the end of the financial year was \$0.338. (2010: \$0.324).

- (c) Fair Value of Options Granted

The weighted average fair value of options granted during the year was 13.6 cents (2010: 16.9 cents). The fair value at grant date 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 years ended 30 June 2011 and 30 June 2010 were as follows:

Details	Employee Options	Director Options	Employee Options
Number of options	150,000	1,100,000	50,000
Consideration	nil	nil	nil
Option life	3 years	3 years	3 years
Exercise price	\$0.38	\$0.50	\$0.45
Grant date	12-10-2010	27-11-2009	15-12-2009
Vest date	12-10-2010	27-11-2009	15-12-2010
Expiry date	11-10-2013	27-11-2012	16-12-2012
Share price at grant date	\$0.28	\$0.34	\$0.40
Fair value of options granted	13.6 cents	16.7 cents	22.2 cents
Expected volatility %	82%	86%	86%
Expected dividend yield %	nil	nil	Nil
Risk free rate %	4.90%	4.97%	5.21%

Krucible Metals Limited  
Notes to the Financial Statements for the year ended 30 June 2011

**18. KEY MANAGEMENT PERSONNEL DISCLOSURES**

**(a) Names of key management personnel and positions held**

M F Harris (resigned 12 August 2011)	Chairman-Non-executive
A J Alston	Managing Director
D J Lovell	Non-executive Director and Company Secretary
R L Koenig	Non-executive Director

**(b) Key management personnel compensation**

	<b>2011</b>	<b>2010</b>
	\$	\$
Short-term employee benefits	313,703	339,370
Post-employment benefits	48,300	56,300
Other long-term benefits	-	-
Share-based payments	-	183,700
	<u>362,003</u>	<u>579,370</u>

**(c) Equity holdings**

**(i) Fully paid shares**

**2011**

	Balance 1 July 2010	Options Exercised	Purchased for cash	Balance 30 June 2011
Director				
A J Alston	5,990,176	380,000	287,200	6,657,376
M F Harris	2,493,700	300,000	25,000	2,818,700
D J Lovell	220,000	-	-	220,000
R L Koenig	125,000	-	-	125,000
	<u>8,828,876</u>	<u>680,000</u>	<u>312,200</u>	<u>9,821,076</u>

**2010**

	Balance 1 July 2009	Options Exercised	Purchased for cash	Balance 30 June 2010
Director				
A J Alston	5,603,600	-	386,576	5,990,176
M F Harris	2,280,000	-	213,700	2,493,700
D J Lovell	120,000	-	100,000	220,000
R L Koenig*	75,000	-	50,000	125,000
	<u>8,078,600</u>	<u>-</u>	<u>750,276</u>	<u>8,828,876</u>

\*Opening balance is at date of appointment 9 July 2009

No shares were granted as compensation in either 2011 or 2010.



Krucible Metals Limited  
Notes to the Financial Statements for the year ended 30 June 2011

**18. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont)**

**(ii)-Option holdings**

**2011**

Director	Balance 1 July 2010	Granted as remuneration	Exercised during year	Balance 30 June 2011	Total vested	Total exercisable
A J Alston	1,500,000	-	380,000	1,120,000	1,120,000	1,120,000
M F Harris	1,000,000	-	300,000	700,000	700,000	700,000
D J Lovell	800,000	-	-	800,000	800,000	800,000
R L Koenig	500,000	-	-	500,000	500,000	500,000
	3,800,000	-	680,000	3,120,000	3,120,000	3,120,000

There were no director options granted during the financial year.

**2010**

Director	Balance 1 July 2009	Granted as remuneration	Exercised during year	Balance 30 June 2010	Total vested	Total exercisable
A J Alston	1,300,000	200,000	-	1,500,000	1,500,000	1,500,000
M F Harris	800,000	200,000	-	1,000,000	1,000,000	1,000,000
D J Lovell	600,000	200,000	-	800,000	800,000	800,000
R L Koenig	-	500,000	-	500,000	500,000	500,000
	2,700,000	1,100,000	-	3,800,000	3,800,000	3,800,000

The director options granted during the financial year were issued on 27<sup>th</sup> November 2009 with an exercise price of \$0.50 and the expiry date of the options is 27<sup>th</sup> November 2012.

**(d) Other transactions with key management personnel**

Remuneration of the company secretary is by way of fees paid to Lovell & Co Pty Ltd (a company associated with D J Lovell) for secretarial, accounting and administration services provided to the Company and invoiced on an hourly basis. Fees paid to Lovell & Co Pty Ltd during the financial year totaled \$40,163 (2010: \$48,045) excluding GST and is included in the remuneration report within the directors' report.

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 Company and invoiced on an hourly basis. Fees paid to Koenig Consulting Pty Ltd during the financial year totaled \$27,540 (2010: \$66,950) excluding GST and is included in the remuneration report within the directors' report.

**19. RELATED PARTY TRANSACTIONS**

**(a) Key management personnel**

Disclosures relating to transactions with key management personnel are set out in note 18.

**(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.

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2011

### 20. CAPITAL AND LEASE COMMITMENTS

	2011	2010
	\$	\$
(a) Mineral Tenements		
Future exploration payable:		
Within one year	997,319	873,555
Later than one year but not later than 5 years	1,975,088	834,246
Later than 5 years	164,640	-
	<u>3,137,047</u>	<u>1,707,801</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.

At 1 December 2008, the Group entered into "Heads of Agreement - Pilgrim Project" with Deep Yellow Ltd that it can earn 80% equity interest in EPM15072 by expenditure of \$400,000 on the exploration over a period of 4 years commencing from the date of signature of the agreement (JVA). The minimum expenditure to be incurred by the Group over a period of 2 years commencing on the agreement date is \$80,000. After expending the \$80,000, the Group would be entitled to withdraw from the JVA without penalty. If the Group withdraws before the expenditure of \$400,000, then no equity will be deemed to have been earned by the Group in the property. At 30 June 2011 the total expenditure incurred was \$1,110,139 (2010-\$466,403).

The Group has the option to issue 1.2 million fully paid shares to Deep Yellow in order to acquire a 100% interest in the Pilgrim Project.

During the year, the Group received a subsidy of Nil (2010: \$76,892) from The State of Queensland Acting Through The Department of Mines and Energy 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) Operating Leases

Future operating lease rentals for office space payable as follows:

Within one year	11,513	8,550
Later than one year but not later than 5 years	-	-
	<u>11,513</u>	<u>8,550</u>

### 21. EARNINGS PER SHARE

	2011	2010
	cents	cents
Basic loss per share	(2.47)	(0.97)
Diluted loss per share	(2.47)	(0.97)
Reconciliation of loss	\$	\$
Net loss for the year used to calculate loss per share- basic and diluted	<u>1,536,726</u>	<u>571,174</u>

# Krucible Metals Limited

## Notes to the Financial Statements for the year ended 30 June 2011

### 21. EARNINGS PER SHARE (cont)

	2011	2010
	No. of shares	No. of shares
Weighted average number of ordinary shares outstanding during the year used to calculate basic and diluted loss per share	62,165,292	58,997,456

Options could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they were antidilutive in 2011 and 2010.

### 22. SUBSIDIARY COMPANY

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

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

Other than the mining lease application, Korella has not carried out any activities during the past financial year. All future activities of Korella will be funded by the Company.

### 23. CONTINGENCIES

#### *Contingent Liabilities*

There were no contingent liabilities at 30 June 2011.

### 24. SUBSEQUENT EVENTS

Subsequent to year end 200,000 director options were exercised. These options had an exercise price of 25 cents and an expiry date of 15 November 2011.

270,000 employee options were issued subsequent to year end. These have a 24 cents exercise price and an expiry date of 12 August 2014.

Subsequent to year end the Group put in place a share purchase plan to raise a maximum of \$3,390,606. Shares will be issued under the plan at 18 cents per share. The closing date for the plan is 7 October 2011.

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

### 25. 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 2011 other than those disclosed at note 20.

# Krucible Metals Limited

## DECLARATION BY DIRECTORS

The directors of the company declare that:

1. The financial statements and notes, comprising the statement of 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 2011 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 2011, comply with section 300A of the Corporations Act 2001.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the board of directors on 30 September 2011:



**D J LOVELL**

Director



**A J ALSTON**

Director

## **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 2011, the consolidated statement of 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 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 entity'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 entity'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 2011 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.

## Emphasis of Matter

Without qualification to the opinion expressed above, we draw attention to the following matter. As set out in note 1 to the financial statements, the financial report has been prepared on the going concern basis. The ability of the company to continue as a going concern is dependent on a number of matters, including the successful exploration and development of the company's tenements, and where necessary, the raising of capital. No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the company's plans not eventuate.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 17 of the directors' report for the year ended 30 June 2011. 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 2011 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit (QLD) Pty Ltd**



**A J Whyte**

Director

Brisbane: 30 September 2011