KRUCIBLE METALS LTD
Mineral Discovery Company
A.B.N 12 118 788 846

# KRUCIBLE METALS LTD
# QUARTERLY ACTIVITIES REPORT, DECEMBER 2007

## *HIGHLIGHTS*

## CORPORATE

- **Krucible Metals Limited successfully listed on the Australian Stock Exchange on 15 November 2007 (ASX code is KRB). The Company raised $6 million through the issue of 30 million shares at 20 cents per share and the issue was over-subscribed**

- **The Prospectus was based on Krucible's extensive 100% owned tenement portfolio in the Mount Isa and Diamantina regions of western Queensland. The Company is exploring for high net worth poly-metallic deposits such as Mount Isa, Ernest Henry and Cannington as well as high grade gold deposits like Tick Hill. Active exploration has commenced on the ground and a number of significant metals anomalies have already been outlined**

- **Krucible is based in Townsville, which is the principal service centre for north Queensland**

- **At the end of December 2007 the Company's cash at bank and on deposit was $5,868,000.**

## EXPLORATION

- **A shallow RC percussion drilling program commenced soon after listing at the Ardmore and Noranside Projects; comprising 18 holes for 1863 metres. Ardmore is located 100km south of Mount Isa and Noranside is 150 km south east of Mount Isa**

- **Encouraging results were received from the Noranside drilling, where intersections returned were up to 24 metres @ 1500 ppm zinc. The target is Mississippi Valley style lead, zinc mineralisation. Rock chip values up to 4800ppm lead have also been returned from south of this area and these have not been drill tested. Further drilling is planned for Noranside in 2008, after extensive surface sampling has been completed**

- **At Ardmore North gossanous rock chips assayed up to 5830ppm lead from interpreted Mount Isa Sequence ferruginous sediments . These are close to previous shallow (9metres) RAB holes drilled by Getty Oil Ltd in 1984 which assayed up to 3550 ppm lead. No known RC or diamond drilling has been carried out in this area. Drill testing of this Mount Isa style target is planned for April- May 2008**

1/68 Railway Avenue
Railway Estate, Townsville, QLD 4810 Australia
T +61 (0)7 4772 5880 F+61 (0)7 4772 4999

PO Box 908
Castletown, Townsville QLD 4812 Australia
Website: www.kruciblemetals.com.au Email: info@kruciblemetals.com.au

- **At Ardmore South (7km south of above) results of RC percussion drilling by Krucible were disappointing with no significant copper, lead, zinc or gold values returned. The electromagnetic (VTEM) anomalies tested in this area are now believed to be caused by sheared mafics, with relatively high water content**

- **Diamond drilling to a depth of 703 metres was carried out by BHP Billiton for Krucible on the Cannington South Joint Venture (located 21km SSE of the Cannington silver, lead mine). This single hole intersected wide zones of sulphide alteration which may be indicative of nearby Iron Oxide-Copper,Gold (IOCG) mineralisation. BHPB have since withdrawn from the JV but Krucible plans to test for Ernest Henry/Olympic Dam style iron oxide targets in this area later this year**

- **Research has indicated previous stream sediment sampling by Placer from the Crackenback area (located 16 km east of Ivanhoe's Selwyn copper, gold deposit and 35km NW of Cannington) indicated high gold from pan concentrates (values up to 55 & 77 g/t ) which do not appear to have been systematically followed up. Krucible plans geological mapping and soil sampling on this prospect in the next quarter to define possible high grade gold targets**

- **Very anomalous manganese and cobalt assays are known at the Digby Peaks area, located 15km SE of Noranside. Values up to 29% manganese and 5500 ppm cobalt have been returned from limited rock chip sampling to date. No previous exploration for these high value commodities appears to have been carried out previously in this region. Major structural zones, such as the Pilgrim Fault, will be targeted for exploration by Krucible in 2008**

- **A new EPM (Yappo Fault) has been applied for by Krucible. This is located 40km SSE of Mount Isa. This tenement covers 160 sq km and includes a number of known copper occurrences such as Rifle Dam and Lucky Strike as well as the O'Briens Soak high grade silver, selenium occurrence**

- **Krucible intends to carry out a vigorous exploration program in 2008 with the intent of discovering significant mineralisation within the Company's portfolio. However, field work in the March 2008 Quarter may be affected by the wet season conditions in the Mount Isa region of northern Australia**

KRUCIBLE METALS LTD
Mineral Discovery Company
A.B.N 12 118 788 846

# ***Project Activities Report***

## 1. NORANSIDE (EPMs 15572 & 15703)

At Noranside, located about 150km SE of Mt. Isa (see Figures 1 & 2), an RC percussion was carried out comprising 10 holes for 1047 metres. This was a first pass, broad spaced, drill program designed to test a number of electromagnetic (VTEM) anomalies as well as geochemical surface Pb & Zn geochemical lag anomalies. The Survey details of the drilling are outlined on Table 1.

The main styles of mineralisation targeted in this area are Mississippi Valley (MVT) Pb, Zn mineralisation hosted by outcropping Cambro-Ordovician limestone sediments and Cannington, Broken Hill style (BHT) Ag, Pb, Zn hosted by Proterozoic meta-sediments at depths of greater than 100 metres.
Proterozoic basement was intersected in only one hole (CBRC06) -this was at 120metres.

Up to 24 m @ 1500 ppm Zn from 0 m and
4m @ 368 ppm Pb from 28m was intersected in the limestones from CBRC08.
This hole is located 1.7km south of the Noranside Pb workings.

In addition drill chips from a previous water bore, located about 1.1m ESE of hole 08, assayed 778 ppm Cu & 1185 ppm Zn.

These results are considered to be encouraging for MVT mineralisation, given the wide spaced nature of the drilling (see Figure 3) and the fact that the Pb, Zn lag anomaly is open to the south and the north.

Recent research has also indicated that previous surface sampling by CRA Exploration Ltd returned anomalous rock chip samples up to 4800 ppm Pb (9.5km SSW of Noranside), whilst stream sediment samples assayed up to 230 ppm Pb , 10km south of Noranside.
Further systematic lag sampling is planned along the prospective NNW Pilgrim Fault corridor, to include these anomalous areas, before further drilling is undertaken.

## 2. ARDMORE (EPM 15487)

An initial broad spaced RC percussion drilling program was carried out at Ardmore in December 2007, located about 100km south of Mt. Isa (see Figures 1 - 3).
A total of 8 holes were drilled for 816 metres comprising one hole at Carbine, 6 holes at Ardmore South and one hole at Ardmore NE. The survey details of the holes are shown on Table 2.
The drill program was designed to test a number of electromagnetic (VTEM) anomalies outlined from a helicopter survey carried out in July 2007.

All analytical results for the drilling have now been received and results are briefly discussed below
CARBINE - strong magnetite alteration was intersected over a 30 metre interval with sulphide content 1-2%. It is thought that this combination was the cause of the VTEM anomaly. Basemetal values, however, were low with a maximum of 276ppm Cu over 4metres.
ARDMORE SOUTH - the drilling at this poorly outcropping area intersected mainly sheared mafic volcanics and clays and not the expected Mt. Isa Mine Sequence (MIS). Basemetal values were low with maximum values (ppm), over 4metre intervals, of 274 Cu & 117 Zn.
The VTEM anomalies tested are interpreted to be conductive entities caused by strong shearing & fracturing in mafics with relatively high water content, rather then sulphide conductors.
ARDMORE NE -A single drill hole tested some narrow Cu, Pb workings in mafic volcanics, located 3km ESE of Ardmore North. Maximum values (ppm) over 4 metres were 236Cu & 497Pb.

Some further work was also carried out at the ARDMORE NORTH prospect, (located 7km north of Ardmore South; see Figure??) comprising soil sampling (400 by 200m spacing) rock chip sampling and research of previous work. The area is of interest because of outcropping ferruginous sediments of the interpreted Mt. Isa Sequence.

Rock chip sampling of gossanous ironstone float has returned up to 5830 ppm Pb & 1425 ppm Zn whilst research of previous work by Getty Oil Ltd in 1984 revealed that up to 3550 ppm Pb was intersected in shallow (9m) RAB drilling carried out over a limited area.

The broad spaced Krucible soil sampling indicates a NNW trending anomalous Pb zone over 2km in strike length that corresponds with the Mt Isa Sequence. Detailed soil sampling and geological mapping is planned for this area in the upcoming months to define Mt. Isa style drill targets for testing in April-May 2008.

## 3. DIGBY PEAKS (EPM 15833)

This prospect is located about 170km SE of Mt. Isa and 20km SW of the Chatsworth Station (see Figure 2). Previous work by CRA Exploration Ltd outlined MVT mineralisation, hosted by limestones in this area, with drill intercepts of 45 metres @ 984 ppm Pb & 990 ppm Zn.

However surface sampling by Krucible and research of prior work has indicated that the area has potential for manganese (Mn) and cobalt (Co) mineralisation that has not previously been recognised.
2 rock chip samples assayed 18.5% Mn & 5500 ppm Co and 29% Mn & 3800 ppm Co. These samples are 2 km apart and investigation of previous work indicates that no systematic exploration for these high value metals has been conducted at Digby Peaks.

Krucible will initiate reconnaissance work in this area focussing on breccia zones in the manganese rich sediments where supergene enrichment is likely to upgrade the Mn & Co content.

## 4. SQUIRREL HILLS (EPM 15354 )

Investigation of results of stream sediment sampling carried out by Placer in 1990 shows that high gold results were recorded from pan concentrates NE of the Crackenback Cu, Au workings. No source for the alluvial Au (values up to 55 g/t & 77 g/t Au) was found from limited follow up.
This prospect is located 16 km east of the historic Cu, Au Selwyn mine, held by Ivanhoe Mines Ltd and 35km NW of BHP Billiton's operating Ag, Pb & Zn Cannington Mine (see Figure 5)

Krucible intends to carry out stream sediment and soil sampling at Crackenback as well as geological mapping and prospecting, to outline potential hard rock sources for the Au in this prospective zone.

At Cannington South, a single rotary & diamond hole (AND 083) was drilled by BHP-B on behalf of the Cannington South Joint Venture with Krucible, to a depth of 703 metres. This hole intersected widespread sulphide alteration (pyrite, pyrrhotite) in rocks similar to the Soldier's Cap host at Cannington but basemetal values were low with maximums (ppm) of 358 Cu, 721 Zn and 0.03 Au from 4m intercepts.

BHP-B has subsequently withdrawn from the JV but Krucible believes there is potential for iron oxide related mineralisation in this area similar to the Olympic Dam large scale Cu, Au & U deposit in South Australia (see ASX announcement of 13 December 2007).

## 5. YAPPO FAULT (EPM 17102 APPLICATION)

Krucible has applied for a new Exploration Permit for Minerals, located about 40 km SSE of Mt. Isa (see Figure 1)
This ground contains a number of Cu & Au occurrences, including the Lucky Strike prospect which is immediately west of the Mount Isa Consolidated Mining Lease 8058, held by XSTRATA.
The EPM is also close to the unusual O'Brien's Soak occurrence - a small, high grade silver, selenium deposit that produced 10,000 ounces of silver from 9 tons of ore.

The Yappo Fault EPM is considered to be prospective because; although the host rocks are older than those at Mt. Isa; the presence of N-S and NE faults at Yappo were probably active at the same time as the faults associated with the large scale Cu, Pb, Zn & Ag mineralisation at Mt. Isa.
A comprehensive data research of previous work is being carried out on this property.

## 6. TENEMENT UPDATE

Krucible currently has 13 granted EPMs covering 6,126 sq.km. (see Table 3) and 7 EPM Applications covering 1,921 sq.km.
These tenements are all located in the Mt. Isa and Diamantina regions of west Queensland.

**Attached: Tables 1, 2 & 3.**
**Figures 1 to 5.**

**Tony Alston**
**Managing Director**
**Krucible Metals Limited**

**Further Information : Mr.Tony Alston**
**Ph (07) 47725880**

**WEB SITE www.kruciblemetals.com.au**

The information in this report that relates to Exploration Results is based on information compiled by Mr. Tony Alston, a full time employee of the Company who is a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr.Alston has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the " Australian Code of Conduct for Reporting of Exploration results, Mineral Resources and Ore Reserves". Mr.Alston consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

## Table 1. Noranside Drill Hole Survey Details

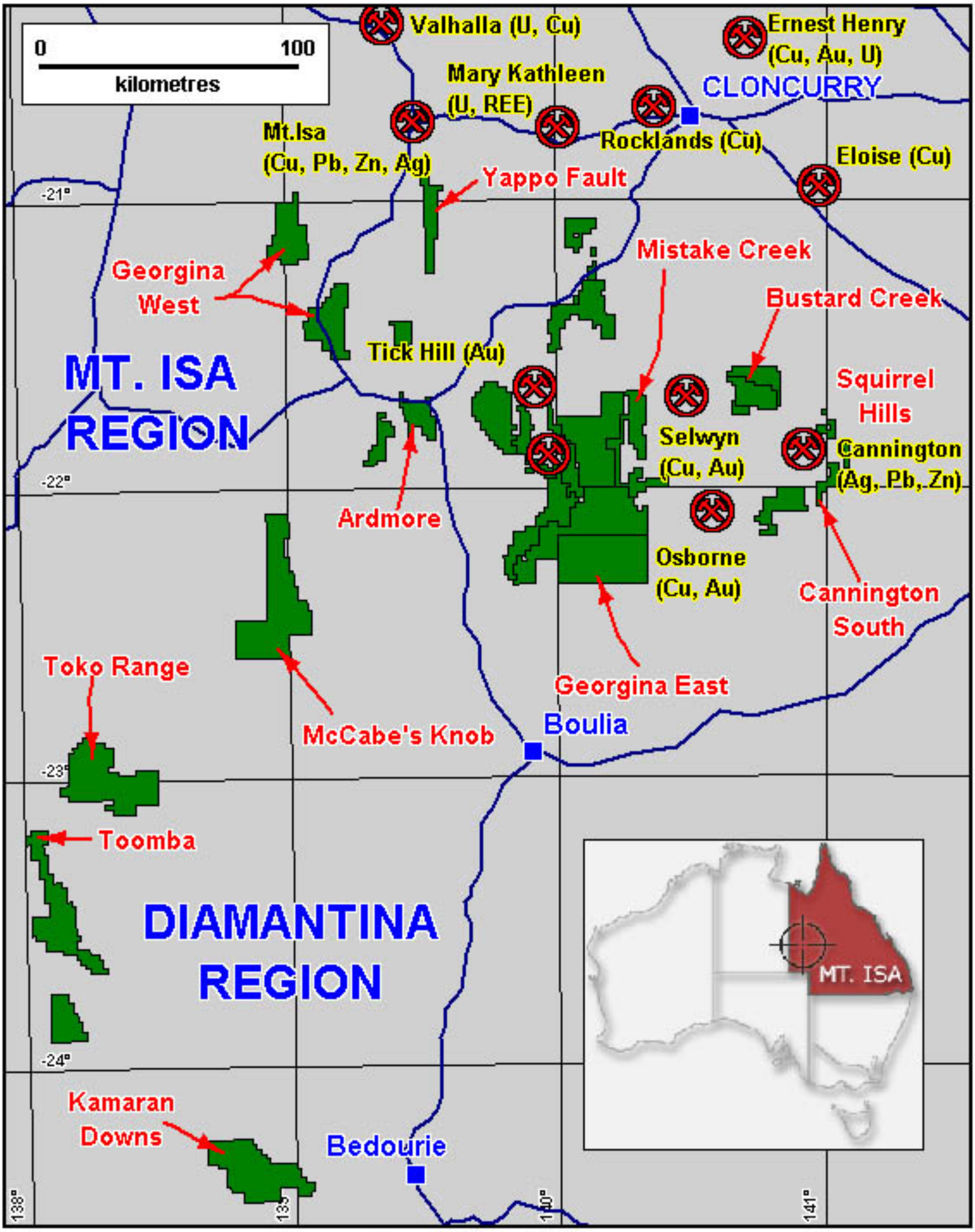
| Hole No. | Co-ordinates (AMG/AGD66) | | Total depth (metres) | Azimuth (magnetic) | Inclination (degrees) |
|---|---|---|---|---|---|
| | Easting | Northing | | | |
| 07CBRC-001 | 400700 | 7565800 | 130 | | 90 |
| 07CBRC-002 | 401200 | 7565000 | 106 | | 90 |
| 07CBRC-003 | 401800 | 7565000 | 112 | | 90 |
| 07CBRC-004 | 401800 | 7564800 | 130 | | 90 |
| 07CBRC-005 | 402300 | 7565000 | 88 | | 90 |
| 07CBRC-006 | 402540 | 7563790 | 45 | | 90 |
| 07CBRC-007 | 402660 | 7563720 | 118 | | 90 |
| 07CBRC-008 | 402910 | 7563450 | 118 | | 90 |
| 07CBRC-009 | 401600 | 7563800 | 100 | | 90 |
| 07CBRC-010 | 400587 | 7564849 | 100 | | 90 |

## Table 2. Ardmore Drill Hole Survey Details

| Hole No. | Co-ordinates (AMG/AGD66) | | Total depth (metres) | Azimuth (magnetic) | Inclination (degrees) |
|---|---|---|---|---|---|
| | Easting | Northing | | | |
| 07ADRC -001 | 346100 | 7587630 | 118 | | 90 |
| 07ADRC -002 | 341950 | 7592000 | 82 | 260 | 60 |
| 07ADRC -003 | 342230 | 7591755 | 112 | 260 | 60 |
| 07ADRC -004 | 342120 | 7591640 | 122 | 260 | 60 |
| 07ADRC -005 | 342160 | 7592000 | 100 | 260 | 60 |
| 07ADRC -006 | 342200 | 7591600 | 118 | | 90 |
| 07ADRC -007 | 342335 | 7591205 | 82 | | 90 |
| 07ADRC -008 | 341138 | 7597668 | 82 | 260 | 60 |

## Table 3. Granted Exploration Permits For Minerals (EPM).

| EPM NAME | EPM NUMBER | AREA sq.km. | DATE GRANTED |
|---|---|---|---|
| SQUIRREL HILLS | 15354 | 457 | 29/03/2007 |
| TOOMBA | 15367 | 512 | 26/02/2007 |
| KAMARAN | 15389 | 592 | 12/03/2007 |
| ARDMORE | 15487 | 322 | 2/05/2007 |
| CORELLA BORE | 15572 | 319 | 12/09/2007 |
| THE BLUFF | 15703 | 322 | 12/09/2007 |
| BIG TOBY | 15729 | 283 | 12/09/2007 |
| KHEKOR DAM | 15726 | 322 | 12/09/2007 |
| MERLIN TANK | 15811 | 322 | 13/12/2007 |
| TOKO RANGE | 15815 | 647 | 15/01/2008 |
| GE 1 | 15831 | 557 | 13/12/2007 |
| GE 2 | 15833 | 686 | 13/12/2007 |
| McCABES KNOB | 15936 | 785 | 12/12/2007 |

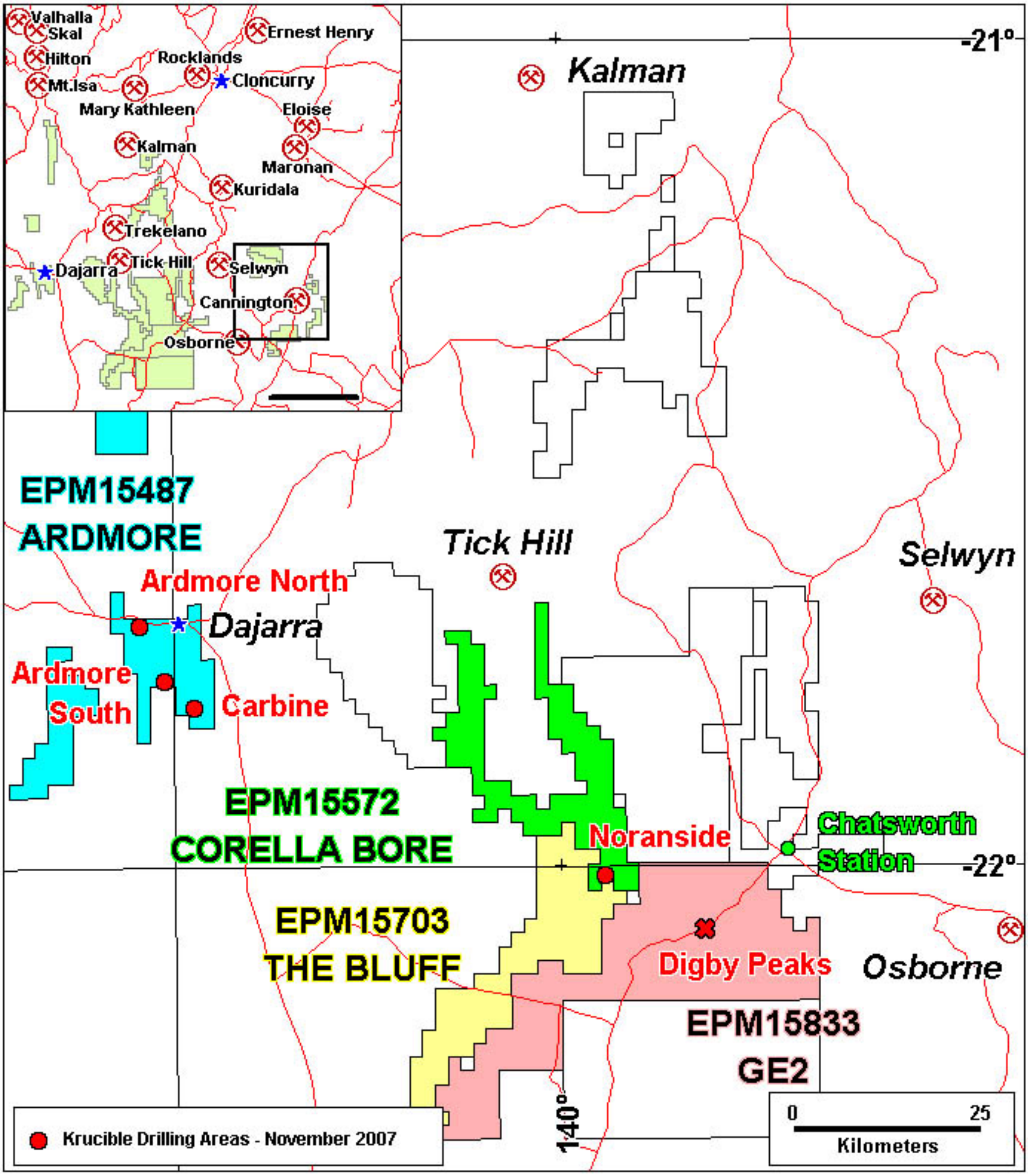



**Location Plan**
**Showing Krucible Tenements**

KRUCIBLE METALS LTD

KRUC0255_Tenement_Location_Plan_July07_ASX.WOR

FIGURE 1

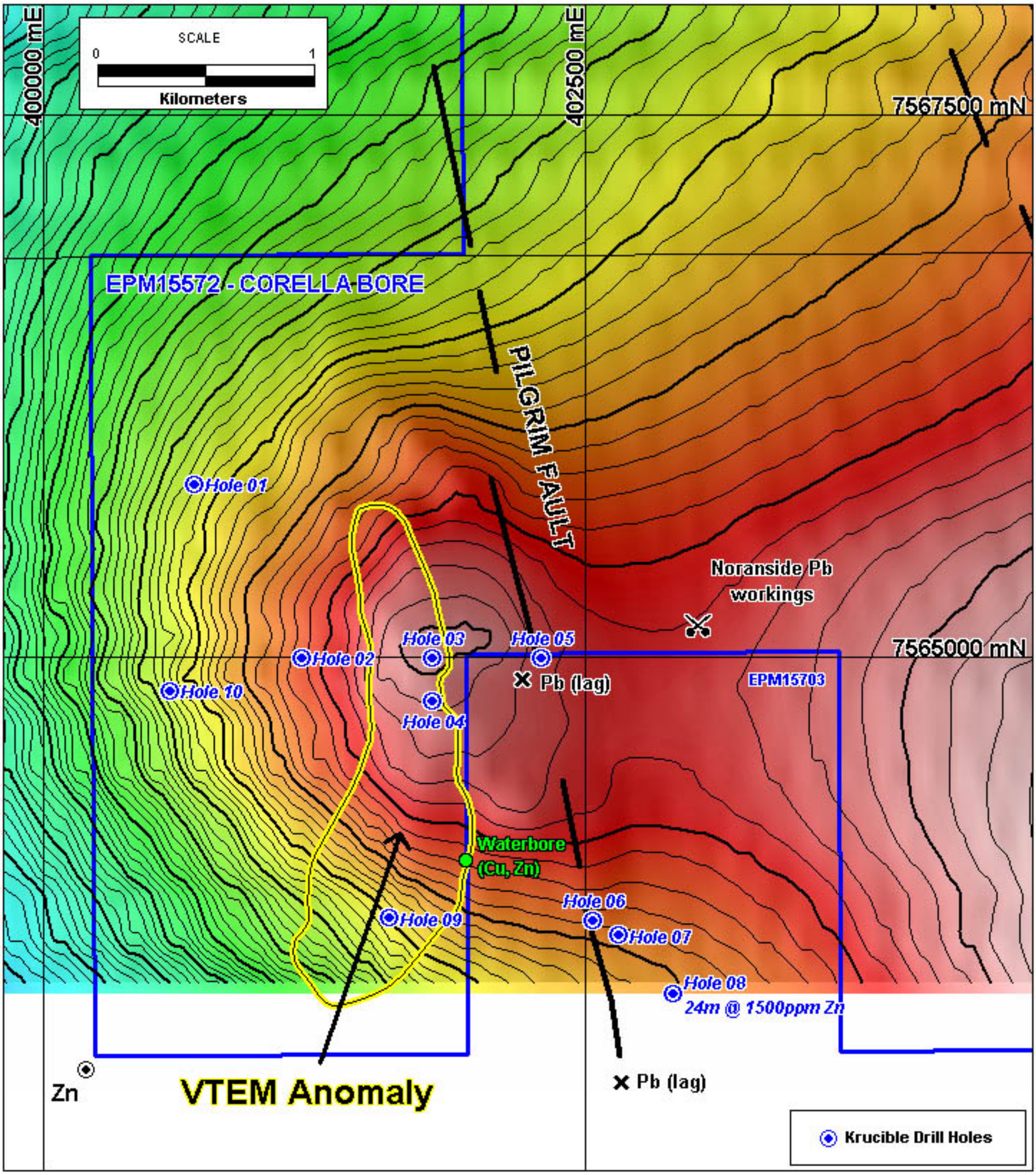



**Location Plan**
**Ardmore, Noranside and Digby Peaks**

KRUCIBLE METALS LTD

FIGURE 2

KRUC0259_Location_Ardmore_Noranside_Digby_Jan08_ASX.WOR




**Corella Bore and The Bluff EPMs**

Showing 2007 Drilling on
Aeromagnetic and Electromagnetic Anomalies

KRUCIBLE METALS LTD

**FIGURE 3**

KRUC0256_Noranside_25ka3p_Jan08_ASX.WOR

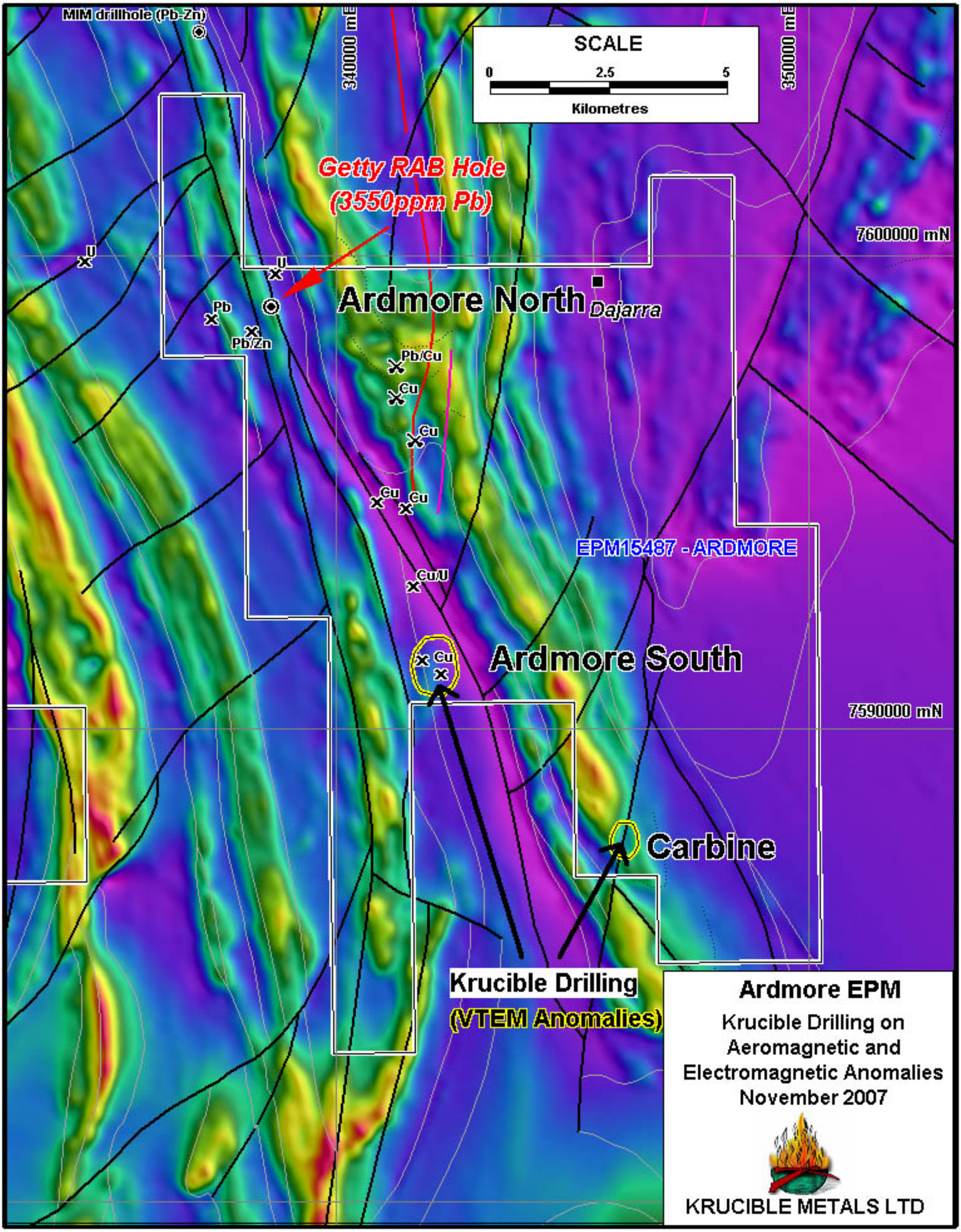
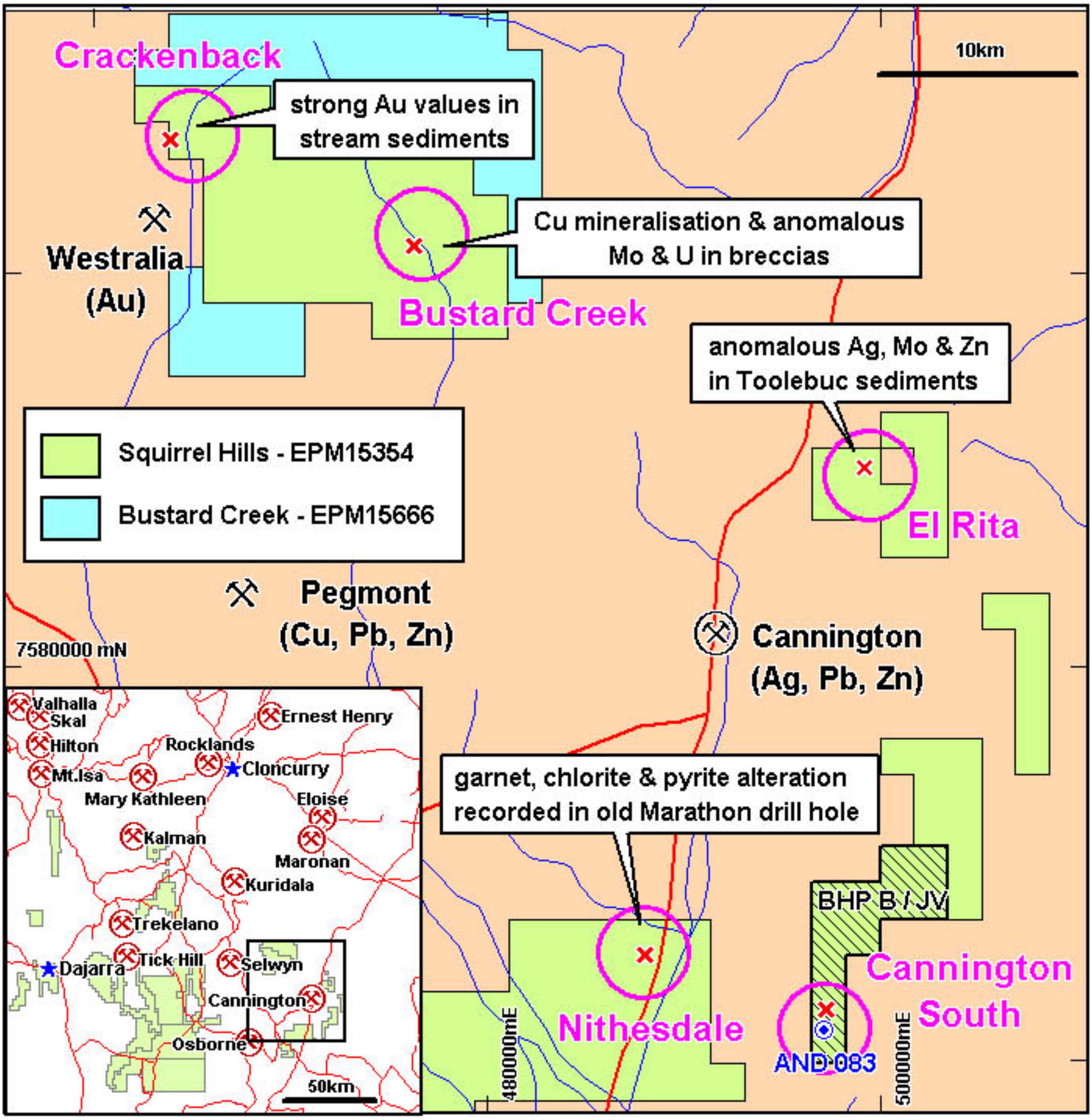



**FIGURE 4**

KRUC0258_Ardmore_100ka4p_Jan08_ASX.WOR




**Squirrel Hills Project**
**Location Plan Showing Prospective Areas**
**and Krucible EPMs**

KRUCIBLE METALS LTD

**FIGURE 5**

KRUC0257_Squirrel_Hills_Jan08_ASX.WOR

*Rule 5.3*

# Appendix 5B

## Mining exploration entity quarterly report

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

Name of entity

Krucible Metals Ltd

| ABN | Quarter ended ("current quarter") |
|---|---|
| 12 118 788 846 | 31st December 2007. |

## Consolidated statement of cash flows

| | **Cash flows related to operating activities** | Current quarter $A'000 | Year to date (...3... months) $A'000 |
|---|---|---|---|
| 1.1 | Receipts from product sales and related debtors | - | - |
| 1.2 | Payments for (a) exploration and evaluation | (249) | (249) |
| | (b) development | - | - |
| | (c) production | - | - |
| | (d) administration | (368) | (368) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | 76 | 76 |
| 1.5 | Interest and other costs of finance paid | - | - |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Other (provide details if material) | (40) | (40) |
| | **Net Operating Cash Flows** | (581) | (581) |
| | **Cash flows related to investing activities** | | |
| 1.8 | Payment for purchases of: (a)prospects | | |
| | (b)equity investments | | |
| | (c) other fixed assets | | |
| 1.9 | Proceeds from sale of: (a)prospects | | |
| | (b)equity investments | | |
| | (c)other fixed assets | (24) | (24) |
| 1.10 | Loans to other entities | | |
| 1.11 | Loans repaid by other entities | | |
| 1.12 | Other (provide details if material) | | |
| | **Net investing cash flows** | (24) | (24) |
| 1.13 | Total operating and investing cash flows (carried forward) | (605) | (605) |

+ See chapter 19 for defined terms.

| | | | |
|---|---|---|---|
| 1.13 | Total operating and investing cash flows (brought forward) | (605) | (605) |
| | **Cash flows related to financing activities** | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 6,000 | 6,000 |
| 1.15 | Proceeds from sale of forfeited shares | | |
| 1.16 | Proceeds from borrowings | | |
| 1.17 | Repayment of borrowings | | |
| 1.18 | Dividends paid | | |
| 1.19 | Other (provide details if material) | | |
| | **Net financing cash flows** | 6,000 | 6,000 |
| | **Net increase (decrease) in cash held** | 5,395 | 5,395 |
| 1.20 | Cash at beginning of quarter/year to date | 473 | 473 |
| 1.21 | Exchange rate adjustments to item 1.20 | | |
| 1.22 | **Cash at end of quarter** | 5,868 | 5,868 |

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

| | | Current quarter $A'000 |
|---|---|---|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 90 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Total amounts paid to directors including salaries, directors fees, superannuation and consulting fees.

## Non-cash financing and investing activities

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

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

## Financing facilities available

*Add notes as necessary for an understanding of the position.*

| | Amount available $A'000 | Amount used $A'000 |
|---|---|---|

+ See chapter 19 for defined terms.

| | | | |
|---|---|---|---|
| 3.1 | Loan facilities | - | - |
| 3.2 | Credit standby arrangements | - | - |

## Estimated cash outflows for next quarter

| | | $A'000 |
|---|---|---|
| 4.1 | Exploration and evaluation | 600 |
| 4.2 | Development | - |
| | **Total** | **600** |

# Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | | Current quarter $A'000 | Previous quarter $A'000 |
|---|---|---|---|
| 5.1 | Cash on hand and at bank | 1,868 | 164 |
| 5.2 | Deposits at call | 4,000 | 309 |
| 5.3 | Bank overdraft | - | - |
| 5.4 | Other (provide details) | - | - |
| | **Total: cash at end of quarter** (item 1.22) | 5,868 | 473 |

## Changes in interests in mining tenements

| | | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|---|---|---|---|---|---|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | | | | |
| 6.2 | Interests in mining tenements acquired or increased | EPM 17102 | Application made on 4th December 2007 52 sub-blocks (~ 160 sq km) | 0 | 100% |

## Issued and quoted securities at end of current quarter

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

| | | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|---|---|---|---|---|---|
| 7.1 | **Preference +securities** *(description)* | | | | |
| 7.2 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 | **+Ordinary securities** | 52,959,100 | 44,279,100 | | |
| 7.4 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 29,999,000 | 29,999,000 | 20 cents | 20 cents |
| 7.5 | **+Convertible debt securities** *(description)* | | | | |
| 7.6 | Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 | **Options** *(description and conversion factor)* | 3,100,000 | - | *Exercise price* *25 cents* | *Expiry date* *14/11/2011* |
| 7.8 | Issued during quarter | 3,100,000 | - | 25 cents | 14/11/2011 |
| 7.9 | Exercised during quarter | | | | |
| 7.10 | Expired during quarter | | | | |
| 7.11 | **Debentures** *(totals only)* | | | | |
| 7.12 | **Unsecured notes** *(totals only)* | | | | |

+ See chapter 19 for defined terms.

# Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

20TH JAN 2008.

Sign here: ............................................................ Date: ............................
(Director/Company secretary)

Print name: Dennis Lovell

# Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==