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Mineral Discovery Company

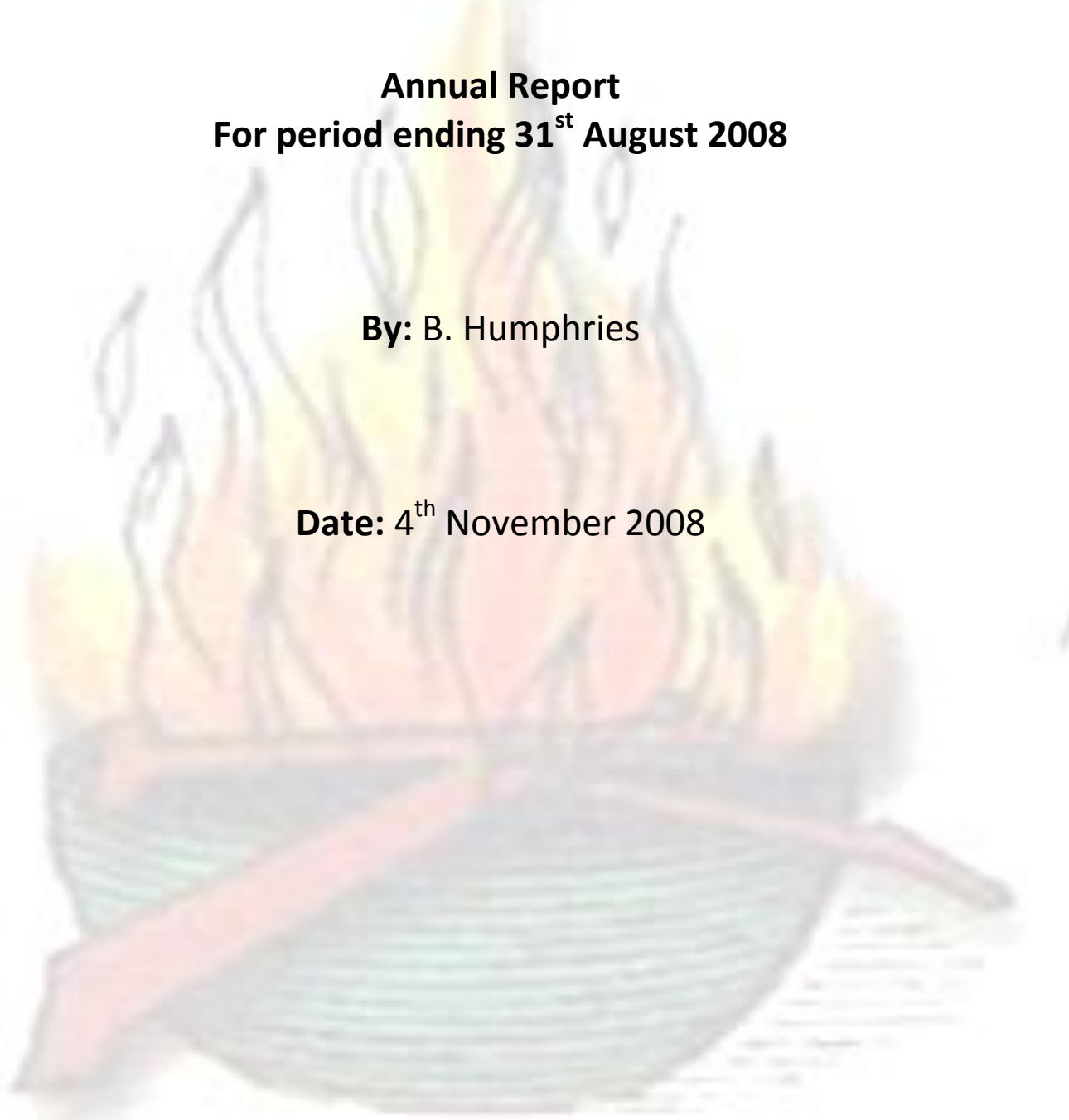
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EPM 15726 'Khekor Dam'

**Annual Report
For period ending 31st August 2008**

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SUMMARY

Khekor Dam EPM 15726 is located approximately 80km south-south-west of Mount Isa and lies on the boundary of the Georgina Basin to the west and the Mt Isa Inlier to the east. Most of the EPM is covered by younger sediments which obscure the Proterozoic rocks because of this the area has been previously under explored and for basemetal deposits, furthermore there is also the perception that the outcropping Proterozoic rocks in the east of the tenement indicate the western edge of the Mt Isa Province. However the area is characterised by a major north-east structure which continues north and passes through Mt Isa, this major fault intersects regional north-west splay structures close to gravity and magnetic anomalies and is considered to be ideal conduits for mineralising fluids in Proterozoic stratigraphy which is interpreted to be less than 100m under cover.

Krucible Metals is a Mineral Discovery Company and therefore it is not after a single commodity but rather a number of deposit styles and mineral assemblages. The Khekor Dam EPM is prospective for basemetal and gold in Proterozoic stratigraphy and the Company is exploring for Mt Isa style mineralisation and metasomatic replacement gold deposits under cover. Secondary targets include uranium associated with the Sybella Batholith or remobilised in the Cambrian sediments and phosphorite found within the middle Cambrian Beetle Creek Formation.

Exploration thus far has included research of all previous companies reports which has revealed a drill hole (approximately AMG 316500E 7619000N) by BHP looking for base metals intersected 10m at 0.94% P₂O₅ from 42-52m (end of hole)(CR11241). Queensland phosphate drilled one hole at AMG 314550E 7627100N (approximate) and intersected Proterozoic basement at 9.1m.

Krucible exploration has included 63 grab samples within the EPM. Results were not convincing however there was weakly anomalous silver, arsenic, molybdenum and tungsten coincident with the projected Mt Isa stratigraphy. The broad government gravity and magnetic geophysical maps show coincident anomalies which may be worth further investigation and the radiometric surveys shows a number of discrete anomalies. Combining these methods will help with defining prospective areas to explore.

Because of the lack of systematic work carried out by Krucible Metals the EPM is still widely open for detailed exploration, furthermore, the low values returned from Krucible's sampling indicates no leaching from Proterozoic sequences or possibly a high erosion rate. Therefore within the next year Krucible plans to complete an RCP (Reverse Circulation Percussion) drill program to determine the depth to basement and further explore the potential of this tenement.

INTRODUCTION

The area of EPM 15726 'Khekor Dam' is located approximately 80km south-south-west of Mount Isa in north-west Queensland (see figure 1a). Krucible applied for this ground in the hopes of locating a Mt Isa style mineral deposit beneath cover in an area where base metals have not been systematically explored for by previous companies.

The topography of the land is fairly flat lying with elevations of around 260m above sea level, to the east where the Proterozoic geology begins to be exposed the elevations increase to around 320m above sea level.

Access is good with the main road between Dajarra and Mount Isa running through the middle of the EPM with minor tracks off this and a number of station tracks. To the north vegetation becomes denser making access more difficult, however on the rest of the tenement vegetation is fairly sparse making access easy.

Khekor Dam is situated on the contact of the Proterozoic Mt Isa Inlier against the Cambrian Georgina Basin. Sediments of Mesozoic and Cainozoic age cover the majority of the tenement, and are composed of predominantly terrestrial sediments and soil.

The Georgina Basin covers a large area extending across the Queensland and Northern Territory border, within Queensland it bounds the Mt Isa Inlier in the West and South. Sediments are dominantly marine sequences and outcrops within Krucible's ground as cherts and limestone of middle Cambrian age. This Basin is prospective for Phosphorite development and remobilised uranium mineralisation.

The Mt Isa Inlier is an exposed part of a major Proterozoic sedimentary sequence extending over a large area in Northern Australia. The mining history of the Inlier is extensive and it is most famous for hosting giant sediment hosted lead-zinc deposits (Mt Isa, Hilton, George Fisher, Century, and Cannington) and the Mt Isa copper deposit.

Within the Khekor Dam EPM Eastern Creek Volcanics are exposed as basalt interbedded with sediments which has later been deformed and intruded by the Sybella Batholith, this unit is a granite body which trends generally North-South and is widely believed to have been the source for uranium mobilisation during later deformation events. Units covering Proterozoic age rocks to the West are thought to be less than 100m thick over most of the EPM. It is proposed these buried units could be a succession similar to the lithologies seen at Mt Isa.

Tenure

EPM 15726 'Khekor Dam' was granted to Krucible Metals Ltd on the 12th of September 2007 for a period of 5 years and comprises 100 sub-blocks as seen in Figure 1b. This land does not include any protected areas as defined under the mineral resources act.

BIM	Block	Sub-blocks
CLON	1095	M N O Q R S T V W X Y
CLON	1166	E J K L M N O P Q R S T U V W X Y Z
CLON	1167	A B C D F G H J L M N Q R S V W X
CLON	1237	E K P U
CLON	1238	A B C D E F G H J K L M N O P Q R S T U
CLON	1239	A B C F G H L M N Q R S V W X
CLON	1310	D E
CLON	1311	A B C F G H J L M N O
Total:	100 Sub-blocks	

GEOLOGY

The tenement is comprised mostly of recent Quaternary sediments. The Georgina Basin outcrops partly on the east of the tenement as the Beetle Creek Formation, and then further to the east the Eastern Creek Volcanics and Sybella Granite are outcropping (see Figure 2).

Quaternary

Covering most the EPM is silcrete, laterite, soil and alluvium, from recent weathering and fluvial processes.

Cambrian

The Georgina basin extends 330,000km² lying within Queensland and the Northern Territory. The formation of this basin involved many sedimentation and tectonic phases, beginning at the start of the Cambrian and lasting to post Ordovician. The sediments are comprised of mainly carbonates in the north and east and mixed carbonates and siliclastics in the west (Kennard & Draper 1974).

Khekor Dam lies on the Eastern section of the western Georgina Basin, here the sediments are considered to be relatively thin and in some parts entire units are missing. Units likely to occur within Krucible's Khekor Dam EPM include:

Thorntonia Limestone – is a grey platy dolomite to dolomitic limestone with abundant chert nodules

Beetle Creek Formation – Seen as brown chert and white siltstone which in parts maybe close to a quartzite.

Proterozoic

Rocks from this age are from the Western Succession of the Mt Isa Inlier, this province has been through a number of deformation stages and most units show some development of metamorphism.

This has been mapped as outcropping within the Khekor Dam EPM as:

Sybella Batholith- The outcrop to the east of the tenement is the type example of the Sybella suite of the Mount Isa Inlier which consists of a series of elongate plutons which extend over 1600km². The

Sybella Suite was emplaced some 60ma ($\approx 1670\text{Ma}$) prior to the main deformation and metamorphic events which affected the Western Fold Belt so the suite was affected by this deformation.

The main phase ranges from a granodiorite to an alkali-feldspar granite and is even grained to porphyritic. It is a fractionated I-type granite with a mineral suite that reflects a high oxidation state and elevated iron, fluorine, thorium, phosphorous, REE (Rare Earth Elements) and uranium (cited KRB prospectus).

Eastern Creek Volcanics- which is seen as foliated basic to intermediate metavolcanics and is cut by numerous quartz veins. Some outcrops show chlorite alteration possibly associated with the intrusion of the Sybella Batholith.

Structure

The EPM contains a number of interpreted splay faults in a north-west corridor (Figure 3) which is seen to terminate to the east by a cross cutting major North-North-East structure. This major structure continues north and passes through the Mt Isa area.

Proterozoic rocks of the Eastern Creek Volcanics are intensely deformed with strong folding and metamorphism to amphibolites schists and quartzites. The Sybella Batholith is noticeably less deformed with no apparent foliation but does produce a lineation in some outcrops. Faulting and folding are seen on all scales from regional to localised occurrences and quartz veins are abundant throughout both units. There is then a sharp contrast between these and the Cambrian sediments which show no metamorphic effects. Gentle folds are seen and there is local faulting within the Cambrian but no major deformation or alteration has occurred.

EXPLORATION RATIONALE

The prime exploration concept at Khekor Dam is Mt Isa Style Cu and Sedex lead/silver/zinc mineralisation, lithologies similar to the sediments hosting Mt Isa and Valhalla mineralisation is possible in the basement on the western side of the Sybella Batholith. Secondary targets include uranium mineralisation and phosphate deposits.

Stratiform Hosted lead-zinc-silver Deposits

The model for exploration is lead-zinc-silver ore in a sedex deposit hosted in brecciated sediments of the Mount Isa Group. The ore is associated with massive sulphide and the sediment host is commonly evaporitic and interbedded with calcareous units.

There is most considerable debate about the origin of the large sedex deposits in the Mount Isa Inlier. Although individual deposits may possibly have an intrusive or volcanic association, the majority are not closely associated with igneous rocks.

The most favoured model does not source the metal directly from igneous activity. Burial and low-grade metamorphism of the earlier Proterozoic evaporitic sediments may have been required to provide the brines necessary for the development of highly effective leaching fluids. The metal sources are the volcano-sedimentary sequences of older formations. Sedex deposits are formed at shallow levels pre-contemporaneous with the host sediments and near fault systems.

Because most of this EPM is undercover it is possible that sediments of the Mt Isa Group are obscured from the surface and these may also have been subjected to deformation and fluid related deposition of base metals.

Mount Isa Copper Deposits

The association of copper deposits with intermediate to basic rocks is recognised and explained by an initial high copper content of these rocks as these basic volcanic rocks (Eastern Creek Volcanics) of the Mount Isa Inlier contain anomalous copper contents. The Mount Isa copper deposit may have been produced by hydrothermal leaching of the Eastern Creek Volcanics and concentration by replacement within adjacent chemically receptive sediments (pyritic and dolomitic shales). The copper mineralisation is accompanied by silica and dolomite alteration and the copper ore occurs only within the silica-dolomite. The deposit extends parallel to bedding but is not strata bound mineralisation.

Secondary concept: Valhalla style uranium deposits

The only known mineralisation associated with the Sybella Suite are tin and beryllium bearing pegmatite's, however some of these granites are believed to have been the source for uranium mobilised during later deformation events (Cited Krucible Metals Prospectus). Rarely is mineralisation hosted by the Granites, it is more commonly hosted in the country rock several kilometres from the granite contact. The spatial association of the Sybella Batholith with the Valhalla and several other uranium deposits would tend to support this interpretation.

The host rock of Valhalla is a ferruginous tuff bed, generally favourable areas are sediments associated with the Eastern Creek Volcanics. As most of the uranium mineralisation is located in areas that have been subject to strong faulting it is conjectured that the mineralisation was introduced along structures which acted as conduits allowing access and deposition of minerals in favourably reactive sites in adjacent sedimentary rocks.

Secondary Concept: Phosphate Deposits –Duchess (Phosphate Hill Mine-PHM)

In North West Queensland all known deposits are restricted to middle Cambrian age sediments of the Georgina Basin. The most prospective unit for this is the Beetle Creek Formation which hosts the Duchess deposit (PHM); this is dominated by chemical and biochemical sediments including phosphorite, chert and carbonate together with siltstone.

Phosphate deposits can be formed from chemical precipitation of sea water but large deposits are more likely formed by a change in sea water composition which leads to mass extinction of marine organisms. Through current transport these organisms accumulate - usually on a shallow marine shelf or in a restricted basin. From here chemical processes result in the phosphate replacing the carbonate in the peloids.

Secondary Concept: Metasomatic basemetal and gold mineralisation

It is possible the chloritised basalts and the intruded Sybella Granite to the east of the EPM produced partial melting and economically rich fluids which could then have been transported through structural corridors where enrichment may have occurred and then deposited within a new host as veins, or as a breccia matrix.

PREVIOUS EXPLORATION

The Majority of exploration previously conducted on Khekor Dam EPM was in relation to phosphate exploration: Broken Hill South, Queensland Phosphate, ICI Australia, and Australian Fertilisers Ltd were all exploring the phosphate potential from the late 1960's to mid 1970's. All Companies recorded no valuable phosphate intersections within Krucible's tenement. During this time Queensland Phosphate drilled one RC hole (PDH.MU49) looking for base metals, the hole intersected basement but no anomalous values were returned from assay results (Western, December 1972).

In 1991 BHP was exploring the 'Yaringa Structural Corridor', a north-west trending structure for prospective areas of Mt Isa Style Cu-Co mineralisation and Sedex Pb-Zn-Ag. A QUESTEM (Electromagnetic) survey was flown along the Yaringa Structure flight lines were directed north-east, 'the area was found to be generally resistive probably due mainly to the presence of thick Cambrian limestone's and dolomites and Proterozoic quartzite's (Smit, July 1993). Following from this BHP conducted a ground SIROTEM moving loop (Loop Transmitter Time-Domain Electromagnetic) survey was completed in the most prospective areas. Site 1 lies on the south eastern boundary of Krucible's Khekor Dam EPM, three lines were completed in a north east direction results showed a shallow (<40m) conductor. The Company drilled one hole (RCH-Y9) into the anomaly and decided the lithology change between sandstone and quartzite was the cause of the conductor. There were no valuable basemetal results but from 42-52m they intersected 0.94% P₂O₅.

Results from previous companies of all drilling within Krucible's Khekor Dam EPM are listed in table 1 and shown on Figure 4.

Sample ID	Easting	Northing	Accuracy (+/- m)	EPM	CR No.	Company	Commodity	Type	Depth (m)	Geology
W1	311450	7626600	100	1561	5671	ICI	Phosphate	Drill RC	51	mesozoic? Siltstone
W2	313400	7626950	100	1561	5671	ICI	Phosphate	Drill RC	30.5	mesozoic? Siltstone
JC1	313300	7620400	100	1562	5715	ICI	Phosphate	Drill RC	30.5	Eme ended in thorntonia Lst
JC6	312900	7620900	100	1562	5715	ICI	Phosphate	Drill RC	53	Eme ended in thorntonia Lst
PDH.MU49	314600	7627100	200	971	4537	Qld Phosphate	Basemetals	Drill RC	12.2	Eme (3-9.1m) Basement to EOH
11612	312400	7626000	200	903 (2)	5593	BMR	Water	Drill RC	104.9	EOH cambrian Lst
11482	312100	7624250	200	903 (2)	5593	BMR	Water	Drill RC	184.1	EOH cambrian Lst
15412	308900	7623800	300	903 (2)	5593	BMR	Water	Drill RC	198.1	EOH cambrian Lst
PDH.MU7	303200	7621500	300	903 (2)	5593	Qld Phosphate	Phosphate	Drill RC	110.3	No Eme Inca-Lst
PDH.MU8	308800	7619600	300	903 (2)	5593	Qld Phosphate	Phosphate	Drill RC	95	no Eme Lst
PDH.MU9	298900	7627900	300	903 (2)	5593	Qld Phosphate	Phosphate	Drill RC	122	No Eme Inca, Birnie Beds
PDH.MU10	303900	7627600	300	903 (2)	5593	Qld Phosphate	Phosphate	Drill RC	80.3	No Eme Inca-Lst
PDH.MU11	312100	7624300	300	903 (2)	5593	Qld Phosphate	Phosphate	Drill RC	96	No Eme Inca-Lst
PDH.MU12	310000	7630500	300	903 (2)	5593	Qld Phosphate	Phosphate	Drill RC	72.4	No Eme Inca-Lst
PDH.MU16	313500	7636000	300	903 (2)	5593	Qld Phosphate	Phosphate	Drill RC	73.8	No Eme Inca-Lst
PDH.MU17	310000	7636500	300	903 (2)	5593	Qld Phosphate	Phosphate	Drill RC	80	No Eme Inca-Lst
PDH.MU23	312500	7641900	300	903 (2)	5593	Qld Phosphate	Phosphate	Drill RC	no data available	
PDH.MU24	317800	7645800	300	903 (2)	5593	Qld Phosphate	Phosphate	Drill RC	no data available	
RCH-Y5	310940	7622550	5	7861	25914	BHP	Basemetals	Drill RC	268	Cambrian Lst
RCH-Y9	317150	7620350	5	7862	25914	BHP	Basemetals	Drill RC	52	Eme? SST, Qite and Cht

Table 1 Showing previous drilling

TARGET AREAS

One: this is located around AMG location 314000E 7627000N, the Government regional geophysical data shows a coinciding magnetic and gravity high in this area, furthermore one RC drill hole completed by Queensland Phosphate Ltd (CR4537) hit Proterozoic basement at 9.1m, although this did not return high basemetal values the area still has high potential

Two: Khako Dam located around AMG 314200E 7636000N, a lag sample from this area recorded slightly anomalous silver, and arsenic, and also slightly anomalous copper this also has a magnetic peak which lies on the edge of the gravity high.

Three: Centred on AMG 316500E 7619000N BHP drilled 1 RC hole in this area and recorded 10m at 0.94% P₂O₅ from 42, the hole ended at 52m leaving it open at depth. Furthermore the immediate area has not been tested for phosphate previously.

WORK PROGRAM

Surface Sampling

To date Krucible Metals has collected a 63 grab samples (full list available as appendix 1) on various reconnaissance trips, the most anomalous samples are shown in Table 2. Results are not compelling for basemetal results. However this is only first pass exploration over areas of younger sediment cover, and does not down grade the areas potential. Silver (Ag), tungsten (W) and arsenic (As) results were slightly anomalous which may mean there is potential for gold mineralisation within these areas as gold was not assayed in these samples.

SAMPLE	AMG66 _E	AMG66_ N	COMMENTS	Ag_ ppm	As_ ppm	Cu_ ppm	Mo_ ppm	V_ ppm	W_ ppm
10285	312266	7645494	lag pisolites, silst, calct	0.16	17.8	16.4	4.8	431	2.2
10286	313565	7645581	lag pisolites	0.52	40.2	19.7	8.78	1340	2
10294	319983	7640614	lag laterite, Q, Fe	0.07	22.1	10.4	3.83	484	2.3
10297	314173	7636139	lag laterite, Q, Fe	0.14	29.7	35.7	2.15	629	2.5
10315	311091	7618792	Lag Chert, silst, Q, mafic Fe + pizos	0.16	28.5	17.6	5.26	723	2.1
10368	310210	7629642	Lag, Fe, Q, seds	0.05	3.5	106	1.5	47	0.4
10376	310411	7628851	Lag, seds/Fe, Granite	0.24	9.5	10	1.2	149	0.6

Table 2 Anomalous sampling results Khekor Dam

Geophysics

From the release of the Government geophysical surveys interpretation by Krucible Metals shows a number of magnetic anomalies which lie on the central gravity high, this gravity high would tend to indicate a shallow (<100m) conductor.

The Magnetic high which has been interpreted to be a structural corridor, possibly splays within Krucible's EPM and seems to terminate just to the east of the EPM (Figure 3), this would then be a favourable area for percolating mineralising fluids and deposition in a tectonic breccia host.

To the east of the tenement the outcropping Sybella Granite indicates very high radiometric signature. The radiometric survey showed no major anomalies within the Khekor Dam EPM, however there are discrete anomalies which may be partly obscured by younger sediments.

FUTURE PROGRAMS

Over the Next 12 month period Krucible Metals is planning a reconnaissance RC drill Program to help in the understanding of the geology and structure, and identify and mineralised zones for follow up work.

CONCLUSIONS AND RECOMMENDATIONS

Surface sampling at Khekor Dam has not revealed any highly anomalous values, this shows there may be no leaching from the buried Proterozoic basement or due to the sparse ground cover of the area high erosion rates may have removed the leached portions. Geophysical surveys over the area show a number of anomalies and the co-incident magnetic and gravity anomalies along with the inferred depth to basement of less than 100m make this area a highly favourable area for 'blind' exploration targets.

Due to the lack of systematic sampling completed on the area and the prospective targets which have been located, it is recommended EPM 15726 remain in Krucible Metals portfolio for further investigations.

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