

# 2011

## ANNUAL REPORT

ASX: **MGV**



ABN 12 143 890 671

Exploration for nickel-copper sulphide deposits, copper-gold and platinum group element mineralisation in the Musgrave region of South Australia

Exploration for nickel-copper sulphide deposits, copper-gold and platinum group element mineralisation in the Musgrave region of South Australia.

The Company's functional and presentation currency is Australian Dollars.

A description of the Company's operations and principal activities is included in the Review of Operations and the Directors' Report.

**ASX Code: MGV**

**Issued Shares: 121M**

**Cash Balance: \$17.8M**

**ABN: 12 143 890 671**

### **Top shareholders**

Mithril Resources Ltd  
Independence Group NL

Goldsearch Ltd  
JP Morgan Nominees Australia Ltd

Barrick (Australia Pacific) Ltd  
Integra Mining Ltd

## Corporate Information

### **Directors**

Graham Ascough (Non-Executive Chairman)  
Robert Waugh (Managing Director)  
Kelly Ross (Non-Executive Director)  
John Percival (Non-Executive Director)

### **Company Secretary**

Donald Stephens

### **Registered Office**

C/- HLB Mann Judd (SA) Pty Ltd  
167-169 Fullarton Road  
DULWICH SA 5065

### **Principal Place of Business**

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WEST PERTH WA 6005  
T: +61 (8) 9324 1061  
F: +61 (8) 9324 1014  
info@musgraveminerals.com.au  
www.musgraveminerals.com.au

### **Share Registry**

Computershare Investor Services Pty Ltd  
Level 5, 115 Grenfell Street  
ADELAIDE SA 5000

### **Auditor**

Grant Thornton Audit Pty Ltd  
Chartered Accountants  
Level 1, 67 Greenhill Road  
WAYVILLE SA 5034

### **Legal Advisors**

O'Loughlins Lawyers  
Level 2, 99 Frome Street  
ADELAIDE SA 5000

### **Bankers**

National Australia Bank  
48 Greenhill Road  
WAYVILLE SA 5034

This annual report covers Musgrave Minerals Ltd (ABN 12 143 890 671). The Company's functional and presentation currency is Australian dollars.

A description of the Company's operations and of its principal activities is included in the review of operations and activities in the Directors' Report.

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# Chairman's Letter

Dear Fellow Shareholder,

Musgrave Minerals Limited ('Musgrave Minerals') has been very active since listing on the Australian Securities Exchange on 29 April 2011. The initial public offer of shares closed fully subscribed, with maximum over subscriptions, to raise \$20 million before costs, and the Company has already achieved encouraging results in its exploration of South Australia's Musgrave Province.

Musgrave Minerals has established a strong exploration team and commenced drilling at two prospects – Moorilyanna, which is part of the Mimili Project, and Deering Hills. The Company has also identified priority targets and commenced ground follow-up of targets generated from a large regional VTEM survey completed in July 2011.

The Company's work at Moorilyanna has already proved fruitful. Rotary air blast and aircore drilling has identified three broad anomalous copper zones, including the Caprica East anomaly that extends over a strike length of more than 900 metres with intercepts of up to 12 metres at 0.2% copper from surface. Other results include drill holes showing copper mineralisation very close to surface. The regolith copper mineralisation at Moorilyanna will be followed up with ground geophysics with the aim of identifying the primary source of the copper in the underlying basement rocks.

At Deering Hills, Musgrave Minerals has commenced diamond drilling to test nickel-copper sulphide targets at depths of between 60 and 160 metres. The Company looks forward to the results from this drilling and other exploration work currently being undertaken, with the aim of unlocking the mineral potential of the Musgrave region.

Looking ahead, while Musgrave Minerals has numerous exciting prospects within its current land holding, the Company is also hopeful of adding to its exploration portfolio. The Company has a total of seven granted exploration licences and 38 exploration licence applications in the South Australian portion of the Musgrave Province. Four of these exploration licence applications have been prioritised for grant and we anticipate they will be granted later this year.

I thank the management and staff of Musgrave Minerals for their efforts during the start-up phase of the Company and look forward to building sustained success within the team as we move forward. With a very strong cash position, experienced management and a unique land position in the under-explored Musgrave Province, I am confident we have a bright future ahead.

**Graham Ascough**

Chairman



# Review of Operations

Musgrave Minerals Ltd ('Musgrave Minerals' or the 'Company') is dedicated to discovering deposits of economic mineralisation in the Musgrave Province of South Australia, using systematic and, well-resourced exploration methods and programs. We have a leading exploration landholding in the Musgrave region, with tenements covering an area in excess of 50,000km<sup>2</sup> - which equates to approximately 5 per cent of South Australia (Figure 1).

The Musgrave Province is one of the last under-explored frontiers for mineral exploration in Australia, and is prospective for a number of commodities. The centrepiece is the recognition of, and access to, the under-explored potential of the Giles Complex, a 1080Ma, aged, mafic-ultramafic, layered, intrusive complex that hosts the massive Nebo/Babel deposit, a major nickel and copper sulphide deposit in the Western Australian portion of the province.

In South Australia, the Musgrave Province lies almost entirely within Anangu Pitjantjatjara Yankunytjatjara ("APY") land (Aboriginal freehold land). Musgrave Minerals will endeavour to build on the strong relationship with APY people that our cornerstone investor companies have already developed.

Historically, exploration activities in the region have been restricted but access has improved considerably in recent times. Musgrave Minerals holds seven granted exploration licences with cleared exploration access to areas totalling more than 3,200km<sup>2</sup>. We are in the process of advancing four additional tenements through the granting process and expect to have exploration access to these tenements soon.

In 2010, prior to the initial Public Offering ('IPO'), Musgrave Minerals completed an initial phase of exploration on granted tenements that identified new nickel, copper and gold mineralisation, delineated 15 high quality drill targets and advanced a number of conceptual targets to a drill test decision. A number of these targets are defined by strong basement conductors coincident with interpreted Giles Complex intrusives and geologically favourable structural locations. These are high priority, drill-ready targets. The exploration completed to date clearly demonstrates our ability to be an effective explorer in the region and validates our exploration strategy and targeting methodologies.



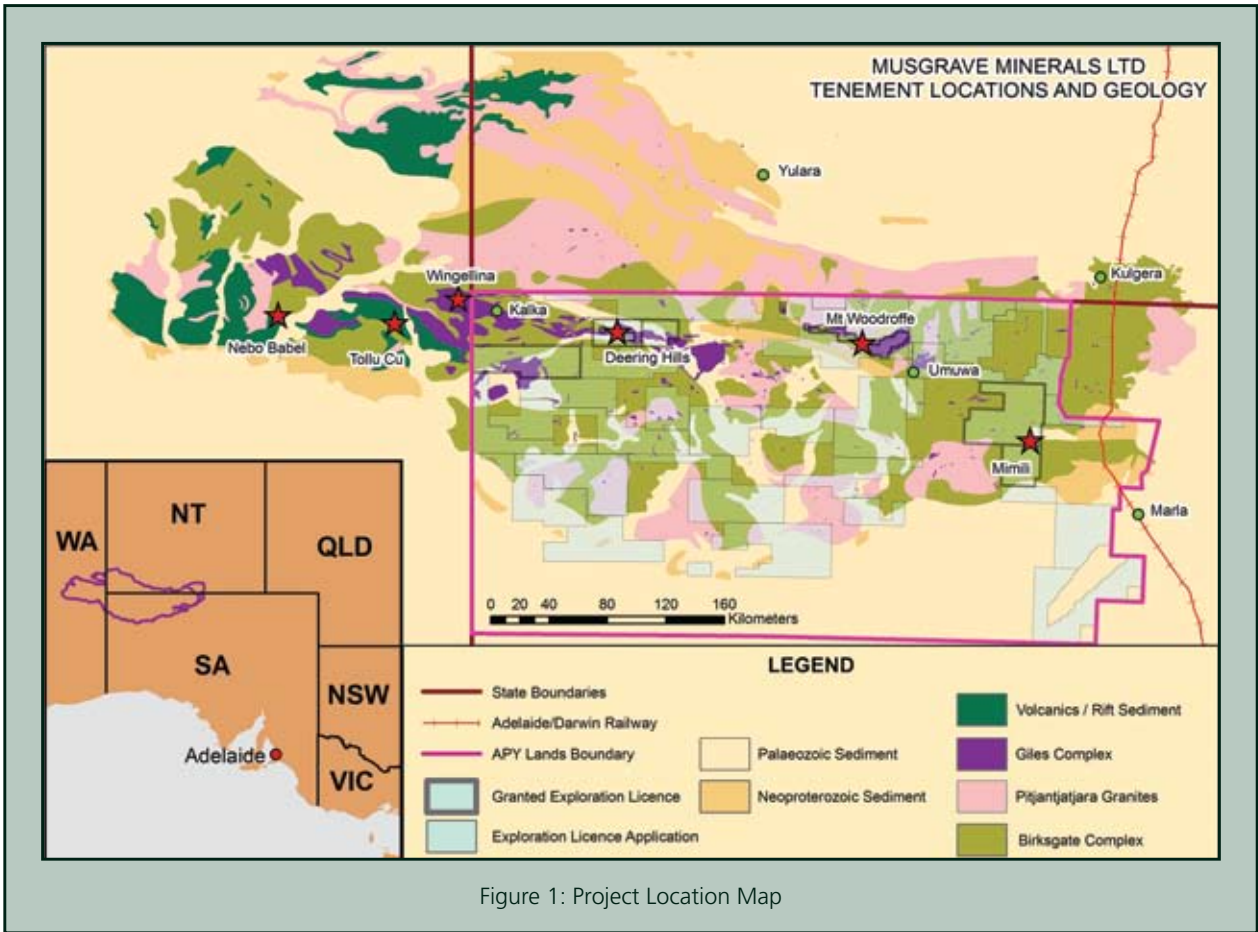


Figure 1: Project Location Map





## Corporate

Musgrave Minerals Limited listed on the Australian Securities Exchange (“ASX”) on 29 April 2011. The Company closed its initial public offering fully subscribed with a maximum oversubscription of \$5 million, raising \$20 million before expenses.

During the period since listing to the end of the financial year, the Company spent \$1.5 million on exploration and administration activities, completed an initial drill program at the Moorilyanna Prospect and commenced drilling on high priority targets at the Deering Hills Project. At the end of the financial year the Company was well resourced, holding \$17.8 million in cash.

Since listing, the Company has established a strong exploration team. It will continue to focus on the exploration and potential development of mineral projects in the Musgrave region of South Australia.





## Exploration Activities

Musgrave Minerals is an Australian-based exploration company focused on the Musgrave Geological Province of South Australia.

The Musgrave project tenements are prospective for massive and disseminated nickel and copper sulphides within the mafic/ultramafic Giles Complex intrusives, base metal mineralisation within the Birksgate Complex metavolcanic and metasedimentary sequences, shear-hosted, hydrothermal copper, silver and gold and pegmatite-hosted rare earth element ("REE") mineralisation.

The Company intersected near-surface copper mineralisation in its maiden drilling program at Moorilyanna, part of the Mimili Project. It has completed a ground electromagnetic ("EM") survey at Moorilyanna and a large regional airborne versatile time domain electromagnetic ("VTEM") survey. Drilling has also commenced on the high priority nickel-copper targets at Deering Hills.

Exploration has continued at an aggressive pace since the end of financial year with the completion of the initial drilling program at Deering Hills. Regional geochemistry and gravity surveys are planned with ground EM and Induced Polarisation ("IP") surveys to follow-up new airborne VTEM anomalies.

### Mimili Project

EL3954 & EL3955 (100% Musgrave Minerals Ltd)

- Significant near-surface copper mineralisation intersected in RAB-aircore drilling at Moorilyanna
- Three broad anomalous copper zones identified
- Caprica East anomaly extends over a strike length of more than 900 metres with intercepts up to 12m @ 0.2% copper from surface

Best results include:

Hole #	Down Hole Intercept	From Depth (Down Hole)
MOORB 057	10m @ 0.23% Cu	4m
MOORB 067	12m @ 0.20% Cu	0m
MOORB 110	2m @ 0.17% Cu	11m
MOORB 058	16m @ 0.14% Cu	2m



- Ground EM has identified two late time conductors within the Mimili project area
- An airborne VTEM survey has been completed and identified priority targets for follow-up.

Musgrave Minerals owns 100% of the Mimili Project which consists of two exploration licences, EL3954 and EL3955. The project is situated 40km west of the Stuart Highway and approximately 70km north-west of Marla in South Australia. Exploration was undertaken on both a regional scale to define new targets and on a local scale at the Moorilyanna Prospect.



A regional airborne VTEM survey was completed over a high priority section of EL3955 late in June 2011 (Figure 2). The survey is targeting near-surface and buried conductors that may represent massive nickel, copper or other base metal sulphide mineralisation. A total of 671 line km of VTEM was flown on 200m spaced lines. Final data is not expected until late September 2011 although preliminary results are encouraging, with a number of new targets identified for follow-up.

A ground EM survey was completed to verify 10 anomalies identified in the 2010 VTEM survey over the broader Moorilyanna area. A total of 10.4 line km of ground EM was completed on 11 individual traverses. Two late time conductors were identified on separate lines (Figure 2). Both conductors appear to be sub-vertical and located in areas of extensive sand cover and no outcrop. Both conductors are interpreted by the model to be shallow, less than 90m to top in an area of extensive sand cover.

Reverse circulation (“RC”) drilling is planned to test the conductive responses in December 2011.

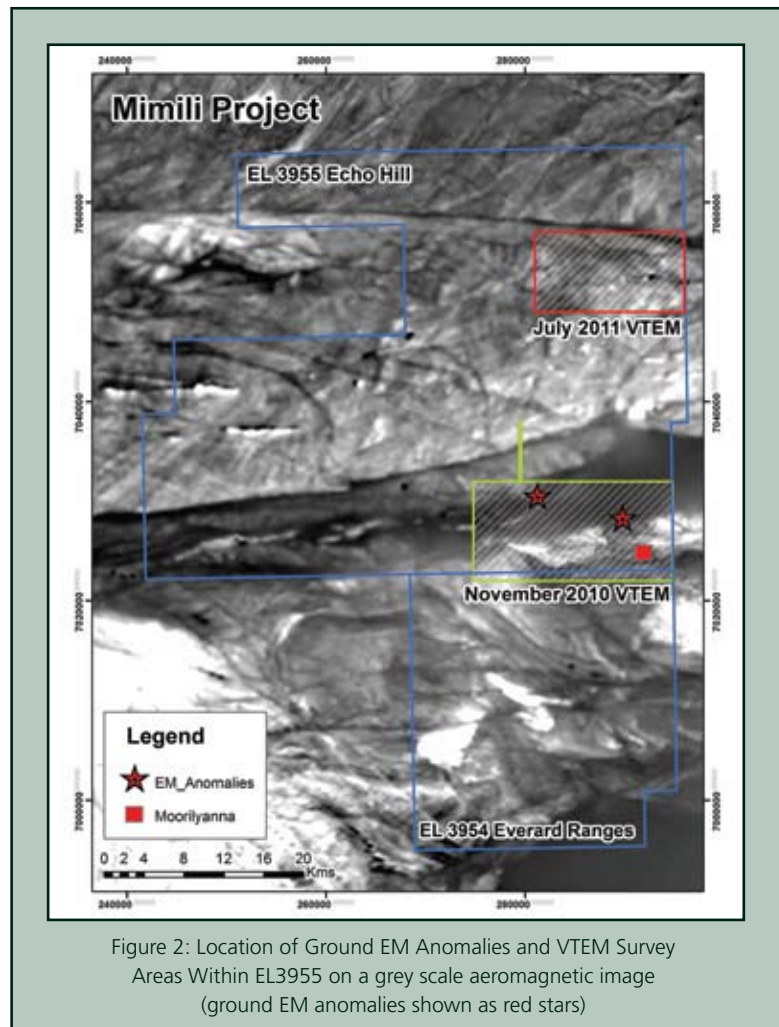


Figure 2: Location of Ground EM Anomalies and VTEM Survey Areas Within EL3955 on a grey scale aeromagnetic image (ground EM anomalies shown as red stars)

## Moorilyanna Prospect

EL3955 (100% Musgrave Minerals Ltd)

The Moorilyanna Prospect, within the Mimili Project area, is situated on a wholly-owned tenement located approximately 40km west of the Stuart Highway and Adelaide to Darwin railway line in South Australia, on the eastern edge of the Musgrave Geological Province.

A combination rotary air blast ("RAB") and aircore drilling program was completed at Moorilyanna, consisting of 142 holes for 1,486 metres. The drilling has successfully defined near-surface copper mineralisation in weathered bedrock over three broad areas.

The drilling was undertaken on 10 broad spaced traverses in three main zones (Figure 3). Significant results are shown in Table 1.

Hole #	Down Hole Intercept	From Depth (Down Hole)
MOORB 057	10m @ 0.23% Cu	4m
MOORB 067	12m @ 0.20% Cu	0m
MOORB 110	2m @ 0.17% Cu	11m
MOORB 058	16m @ 0.14% Cu	2m
MOORB 059	4m @ 0.12% Cu	8m
MOORB 019	4m @ 0.10% Cu	4m
MOORB 030	2m @ 0.11% Cu	2m
MOORB 031	2m @ 0.11% Cu	2m
MOORB 047	2m @ 0.11% Cu	0m
MOORB 111	2m @ 0.11% Cu	3m

Table 1: Summary of Significant Drill Results from Initial Moorilyanna Regolith Drilling

All three main target areas were anomalous in copper, with best results from the Caprica East zone (Figure 4). The Caprica East zone extends for more than 900 metres with a mineralised width of up to 80 metres. The mineralisation is open along strike to the north-west and is associated with elevated silver and gold. The mineralisation is interpreted to be hydrothermal in nature and structurally controlled.

The significant copper results are located in an area of sparse subcrop and shallow sand cover. The broad nature of these initial results is extremely encouraging.

An induced polarisation ('IP') geophysical survey is planned to identify the potential source of the primary copper mineralisation for deeper drill testing.

Furthermore an RC Drilling program is planned to be undertaken in December 2011 to test these targets for high-grade copper mineralisation in 'fresh' bedrock beneath the weathered zone.





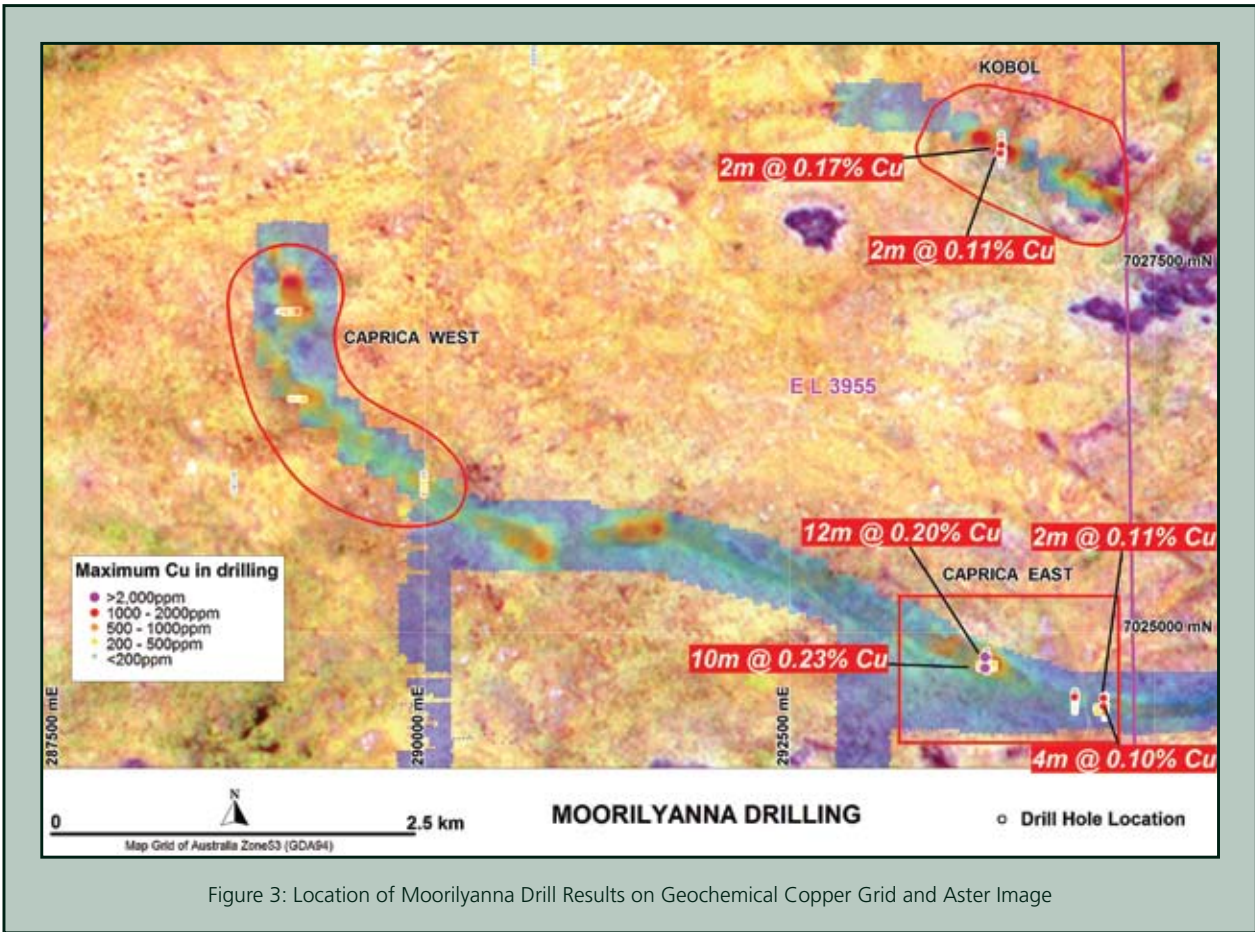


Figure 3: Location of Moorilyanna Drill Results on Geochemical Copper Grid and Aster Image

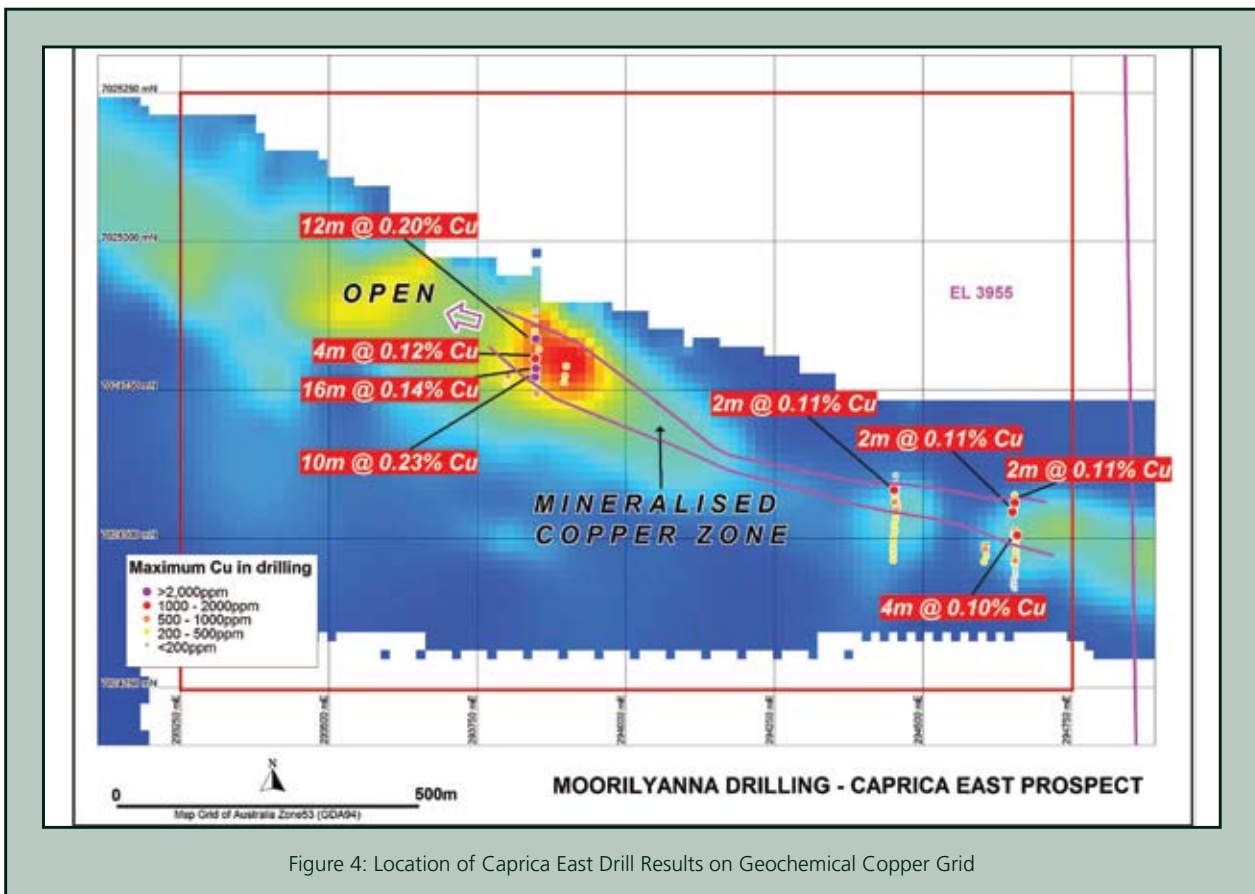


Figure 4: Location of Caprica East Drill Results on Geochemical Copper Grid



## Deering Hills Project

EL3941 & EL3942 (100% Musgrave Minerals Ltd)

- Diamond drilling for massive nickel-copper sulphides has commenced to test nine basement EM conductors within EL3942
- The drilling is planned to test the targets at a depth of between 60 and 160 metres
- A detailed airborne VTEM survey has been completed and has identified high priority targets for follow-up.

The Deering Hills Project consists of two wholly owned tenements, EL3941 Hanging Knoll and EL3942 Mount Hardy, located in the central region of the Musgrave Province, in far northern South Australia covering approximately 992km<sup>2</sup>. EL3942 is one of the most prospective tenements in the portfolio and diamond drilling has commenced to test nine high quality nickel-copper-PGE targets outlined by recent exploration.

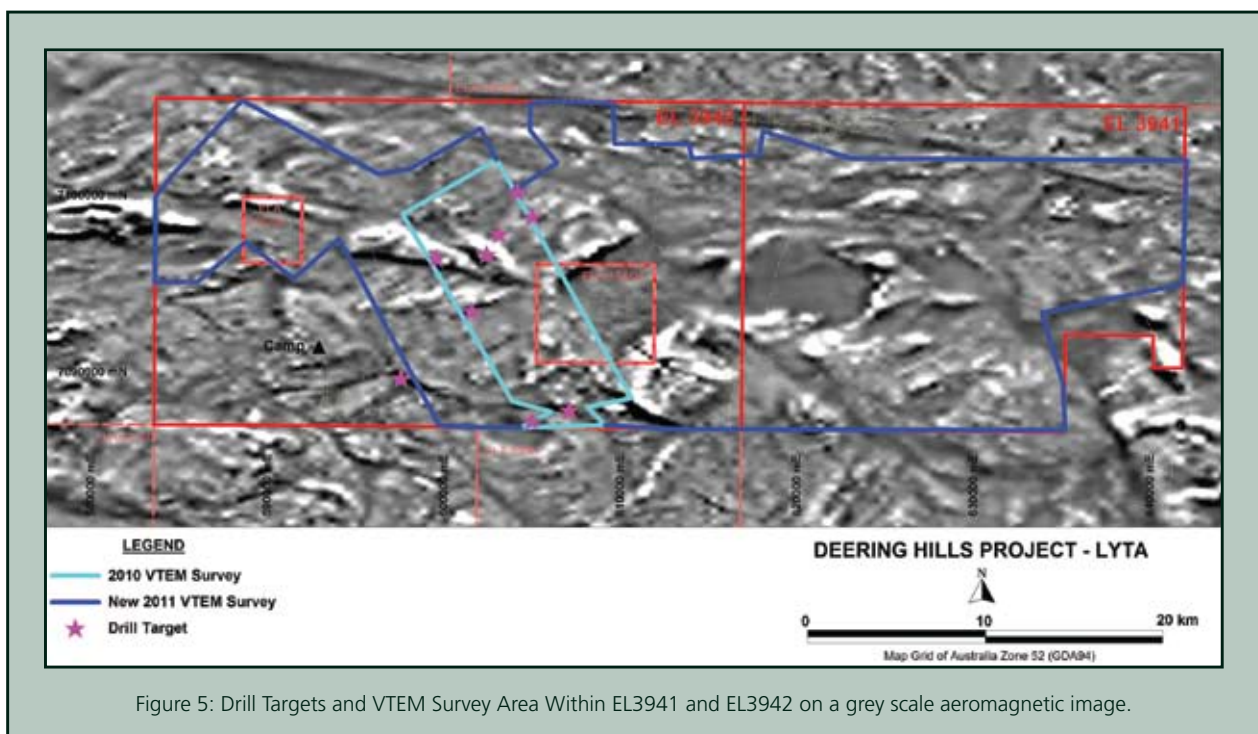
The diamond drilling program is testing nine strong nickel-copper sulphide targets identified from airborne and ground EM surveys. Musgrave Minerals identified the targets during surveys conducted in late 2010 and early 2011. Final data is not expected until late in September, although preliminary results received to date are encouraging with a number of promising targets.



The targets are strong late time EM conductors (Figure 5) located in geologically and structurally favourable domains under thin sand cover. The EM responses are consistent with those expected from significant accumulations of nickel-copper sulphide mineralisation.

Both chalcopyrite (primary copper-sulphide mineral) and pentlandite (primary nickel-sulphide mineral) have been identified in nearby surface exposures of the mafic Giles Complex adjacent to one of the targets, suggesting the system is fertile. The Giles Complex mafic intrusives are host to the massive nickel-copper sulphide mineralisation on the Western Australian side of the Musgrave Province at Nebo-Babel.

One diamond drill-hole was completed prior to the end of the financial year to a depth of 211 metres. No significant mineralisation was visible in the core, although analytical results had not yet been received. The drilling program is expected to take three months to complete.



A regional airborne VTEM survey was completed over the highest priority portions of EL3941 and EL3942 late in June 2011. The survey aims to identify near-surface and buried conductors that may represent massive nickel, copper or other base metal sulphide mineralisation. A total of 2,880 line km of VTEM was flown on 200m spaced lines. Final data is not expected until late in September although preliminary results received are encouraging, with a number of promising targets identified for follow-up.





## Mt Woodroffe Project

EL3940 (100% Musgrave Minerals Ltd)

- A detailed airborne VTEM survey has been completed at Mt Woodroffe and identified priority targets for follow-up.

The Mt Woodroffe Project is situated on EL3940 within a large, geologically complex area, straddling the Mann Fault Complex and Woodroffe Thrust Zone in the central Musgrave Province, and covers an area of approximately 424km<sup>2</sup>.

A regional airborne VTEM survey was completed over a portion of EL3940 late in June 2011 (Figure 6). The aim of the survey is to identify near-surface and buried conductors that may represent massive nickel and copper sulphide mineralisation. A total of 484 line km of VTEM was flown on 200m spaced lines. Final data is not expected until late September, although preliminary results are encouraging with a number of new targets identified for follow-up.

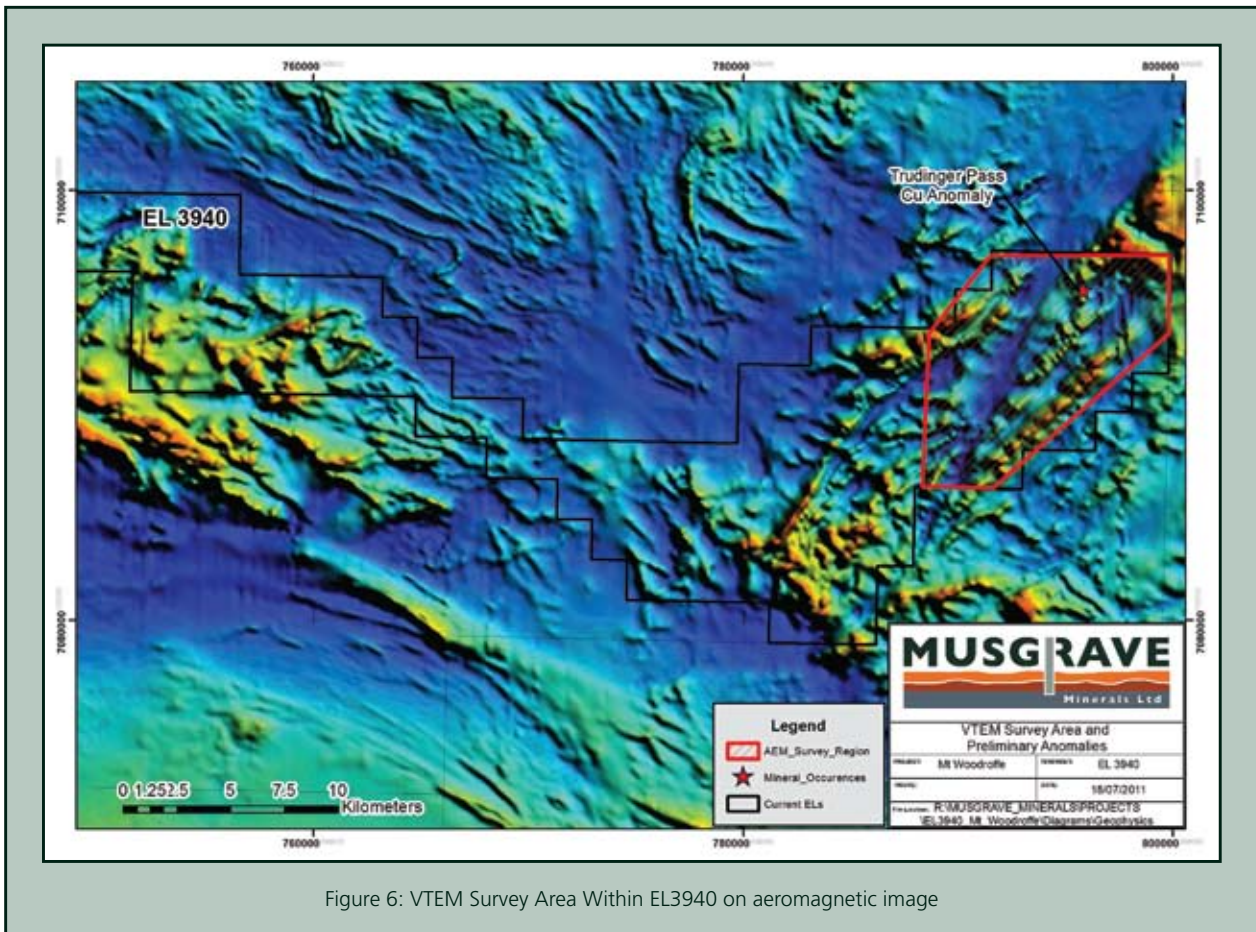


Figure 6: VTEM Survey Area Within EL3940 on aeromagnetic image



## **Mt Woodward Project**

EL3939 (100% Musgrave Minerals Ltd)

EL3939 covers an area of 22km<sup>2</sup> and is located approximately 85km east-south-east of Uluru. The Woodroffe Thrust underlies Giles Complex intrusives which are prospective for nickel-copper sulphide mineralisation.

A tenement wide airborne VTEM survey is proposed with the aim of identifying conductors for ground follow-up.

## **Bryson Hill Project**

EL4047 (Musgrave Minerals Ltd earning 75% from Pitjantjatjara Mining Company Pty Limited and Zeil No. 1 Pty Limited)

The Bryson Hill Project covers an area of approximately 1,535km<sup>2</sup> and is located in the far easterly portion of the Musgrave Province. The tenement is covered by spinifex sand plains and dunes with only very minimal subcrop. Little previous exploration has been undertaken within the tenement area. A regional airborne VTEM survey is planned over a portion of EL4047 along with geological mapping and ground follow-up.



## Other Projects

Musgrave Minerals has a total of seven granted exploration licences and 38 exploration licence applications in the South Australian portion of the Musgrave Province. Planning and interpretation commenced on a number of the remaining projects, although no field work was undertaken on these projects during the period.

Four exploration licence applications have been prioritised for grant. The granting of these initial four new exploration licences (ELA380/97, ELA364/97, ELA54/97 and ELA41/97) is expected later this year (Figure 7).

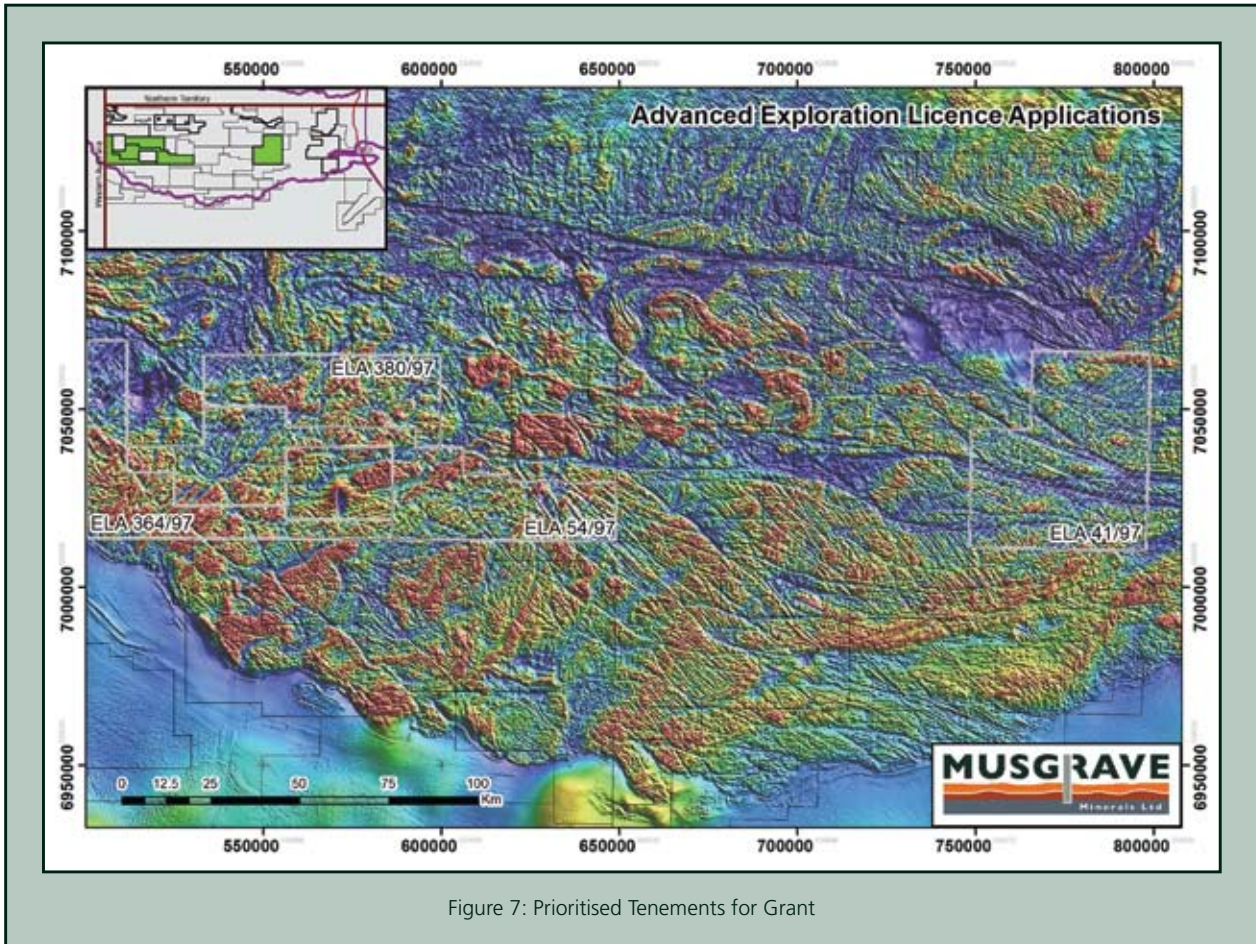


Figure 7: Prioritised Tenements for Grant

## Competent Persons Statement

*The information in this report that relates to Exploration Results is based on information compiled by Mr Robert Waugh. Mr Waugh is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and a member of the Australian Institute of Geoscientists (AIG). Mr Waugh is Managing Director of Musgrave Minerals Limited. Mr Waugh has sufficient industry experience to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Waugh consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.*



## Summary of Tenements

Tenement	Project	Locality	Status	Area	MGV Interest
EL1996/260	Musgrave	SA	Application	519 Km <sup>2</sup>	100%
EL1996/262	Musgrave	SA	Application	463 Km <sup>2</sup>	100%
EL1996/336	Musgrave	SA	Application	653 Km <sup>2</sup>	100%
EL1996/337	Musgrave	SA	Application	1854 Km <sup>2</sup>	100%
EL1996/338	Musgrave	SA	Application	620 Km <sup>2</sup>	100%
EL1996/339	Musgrave	SA	Application	1301 Km <sup>2</sup>	100%
EL1996/340	Musgrave	SA	Application	2198 Km <sup>2</sup>	100%
EL1996/341	Musgrave	SA	Application	1230 Km <sup>2</sup>	100%
EL1996/342	Musgrave	SA	Application	2136 Km <sup>2</sup>	100%
EL1996/534	Musgrave	SA	Application	1783 Km <sup>2</sup>	100%
EL1997/040	Musgrave	SA	Application	1507 Km <sup>2</sup>	100%
EL1997/041	Musgrave	SA	Application	2385 Km <sup>2</sup>	100%
EL1997/053	Musgrave PMC JV	SA	Application	1013 Km <sup>2</sup>	0% (may earn up to 75%)
EL1997/054	Musgrave PMC JV	SA	Application	2360 Km <sup>2</sup>	0% (may earn up to 75%)
EL1997/055	Musgrave PMC JV	SA	Application	595 Km <sup>2</sup>	0% (may earn up to 75%)
EL1997/056	Musgrave PMC JV	SA	Application	1241 Km <sup>2</sup>	0% (may earn up to 75%)
EL1997/057	Musgrave PMC JV	SA	Application	1656 Km <sup>2</sup>	0% (may earn up to 75%)
EL1997/058	Musgrave PMC JV	SA	Application	1721 Km <sup>2</sup>	0% (may earn up to 75%)
EL1997/059	Musgrave PMC JV	SA	Application	2308 Km <sup>2</sup>	0% (may earn up to 75%)
EL1997/060	Musgrave PMC JV	SA	Application	666 Km <sup>2</sup>	0% (may earn up to 75%)
EL1997/061	Musgrave PMC JV	SA	Application	2108 Km <sup>2</sup>	0% (may earn up to 75%)
EL1997/062	Musgrave PMC JV	SA	Application	1926 Km <sup>2</sup>	0% (may earn up to 75%)
EL1997/063	Musgrave PMC JV	SA	Application	1957 Km <sup>2</sup>	0% (may earn up to 75%)
EL1997/143	Musgrave	SA	Application	1040 Km <sup>2</sup>	100%
EL1997/144	Musgrave	SA	Application	835 Km <sup>2</sup>	100%
EL1997/186	Musgrave	SA	Application	1815 Km <sup>2</sup>	100%
EL1997/297	Musgrave	SA	Application	2015 Km <sup>2</sup>	100%
EL1997/321	Musgrave	SA	Application	624 Km <sup>2</sup>	100%
EL1997/364	Musgrave	SA	Application	1342 Km <sup>2</sup>	100%
EL1997/380	Musgrave	SA	Application	1256 Km <sup>2</sup>	100%
EL1997/468	Musgrave	SA	Application	215 Km <sup>2</sup>	100%
EL1997/605	Musgrave	SA	Application	152 Km <sup>2</sup>	100%
EL1999/035	Musgrave	SA	Application	692 Km <sup>2</sup>	100%
EL2001/031	Musgrave	SA	Application	338 Km <sup>2</sup>	100%
EL2008/154	Musgrave	SA	Application	37 Km <sup>2</sup>	100%
EL2008/155	Musgrave	SA	Application	34 Km <sup>2</sup>	100%
EL2008/156	Musgrave	SA	Application	12 Km <sup>2</sup>	100%
EL2008/239	Musgrave	SA	Application	46 Km <sup>2</sup>	100%
EL3939	Musgrave	SA	Granted	22 Km <sup>2</sup>	100%
EL3940	Musgrave	SA	Granted	424 Km <sup>2</sup>	100%
EL3941	Musgrave	SA	Granted	427 Km <sup>2</sup>	100%
EL3942	Musgrave	SA	Granted	565 Km <sup>2</sup>	100%
EL3954	Musgrave	SA	Granted	714 Km <sup>2</sup>	100%
EL3955	Musgrave	SA	Granted	1906 Km <sup>2</sup>	100%
EL4047	Musgrave PMC JV	SA	Granted	1535 Km <sup>2</sup>	0% (may earn up to 75%)





# Directors Report

Your Directors submit their report for the year ended 30 June 2011.

## Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows.

Mr Graham Ascough	Non-Executive Chairman	Appointed 26/05/2010
Mr Robert Waugh	Managing Director	Appointed 06/03/2011
Mr John Percival	Non-Executive Director	Appointed 26/05/2010
Mrs Kelly Ross	Non-Executive Director	Appointed 26/05/2010
Mr Donald Stephens	Company Secretary	Appointed 16/06/2010

## Names, qualifications, experience and special responsibilities

### Graham Ascough

*BSc, PGeo (Chairman, Non-Executive Director)*

Graham Ascough has more than 22 years of industry exploration experience evaluating mineral projects and resources in Australia and overseas. Mr Ascough has been Managing Director of ASX listed Mithril Resources Limited since October 2006. He is a geophysicist by training and prior to joining Mithril Resources Limited, Mr Ascough was the Australian Manager of Nickel and PGM Exploration at the major Canadian resources house, Falconbridge Limited (acquired by Xstrata Plc in 2006). He has had broad industry involvement ranging from playing a leading role in setting the strategic direction for significant country-wide exploration programmes to working directly with junior explorers. He is also the non-executive Chairman of ASX listed Aguiá Resources Limited. Mr Ascough is also a Councillor of the South Australian Chamber of Mines and Energy and is Chair of its Exploration Committee. He is a member of the Australasian Institute of Mining and Metallurgy and is a Professional Geoscientist of Ontario, Canada.

### Robert Waugh

*MSc, BSc, MAusIMM, MAIG (Managing Director)*

Robert Waugh has over 24 years' experience in the resources sector including more than eight years in the Musgrave region. Mr Waugh was a critical member of the WMC Resources Limited exploration team that discovered the massive Nebo and Babel nickel/copper/PGM deposits at West Musgrave in 2000. He was subsequently Project Manager of the team that defined the initial resource at Nebo-Babel. Mr Waugh has



held senior exploration management roles at WMC Resources (WMC), BHP Billiton Exploration Limited (BHP), Fusion Resources Limited, Cameco Australia Limited and most recently was Exploration Manager for Raisama Limited. Mr Waugh spent over 19 years with WMC and subsequently BHP, following the takeover of WMC in 2005. He has extensive exploration and mining experience in a range of commodities including nickel, copper, gold, uranium and PGMs. Mr Waugh holds a Bachelor of Science degree majoring in geology from the University of Western Australia and a Masters of Science in Mineral Economics from Curtin University and the Western Australian School of Mines. Mr Waugh is a member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Waugh is a member of the Company's audit committee.

### **John Percival**

*(Non Executive Director)*

John Percival has been involved in investment and merchant banking for over 25 years including 15 years as Investment Manager of Barclays Bank New Zealand Limited. In addition he has extensive experience in stockbroking, corporate finance and investment management. Mr Percival is currently Executive Director – Operations of Goldsearch Limited (ASX).

### **Kelly Ross**

*BBus, CPA GradDipCSP (Non-Executive Director)*

Kelly Ross is a qualified accountant holding a Bachelor of Business (Accounting) and has the designation CPA from the Australian Society of Certified Practising Accountants. Mrs Ross is a Chartered Secretary with over 25 years' experience in accounting and administration in the mining industry and was the Company Secretary of Independence Group NL for 10 years. Mrs Ross is currently a Non-Executive Director of Independence Group NL (ASX). Mrs Ross is a member of the Company's audit committee.

## Company Secretary

### **Donald Stephens**

*BA(Acc), FCA*

Donald Stephens is a Chartered Accountant and corporate advisor with over 25 years' experience in the accounting industry, including 14 years as a partner of HLB Mann Judd, a firm of Chartered Accountants. He is a Director of Papyrus Australia Ltd, Mithril Resources Ltd, CRW Holdings Ltd and is Company Secretary to Minotaur Exploration Ltd, Mithril Resources Ltd, Toro Energy Ltd and Petrathem Ltd. He holds other public company secretarial positions and directorships with private companies and provides corporate advisory services to a wide range of organisations.





# Interests in the Shares and Options of the Company and Related Bodies Corporate

As at the date of this report, the interests of the Directors in the shares and options of Musgrave Minerals Ltd were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Mr Graham Ascough	200,000	750,000
Mr Robert Waugh	80,000	5,000,000
Mr John Percival	100,000	500,000
Mrs Kelly Ross	50,000	500,000

## Dividends

No dividends were paid or declared since the start of the financial year (2010: nil). No recommendation for payment of dividends has been made.

## Principal Activities

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

- to establish the activities of the newly established entity;
- to carry out exploration of mineral tenements by agreement with founding shareholders, both on a joint venture basis and by the Company in its own right;
- to continue to seek extensions of areas held and to seek out new areas with mineral potential; and
- to evaluate results achieved through surface sampling, geophysical surveys and drilling activities carried out during the year.

## Operating Results

The loss of the Company for the financial year after providing for income tax amounted to \$2,251,700 (2010: \$6,746).



## Operations Overview

A full review of operations carried out by the Company is provided in the 'review of operations' preceding this Directors' Report.

## Risk Management

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all board members to be a part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the Company's vision, mission and strategy statements, designed to meet stakeholder's needs and manage business risk.
- Implementation of Board approved operating plans and budgets and board monitoring of progress against these budgets, including the establishment and monitoring of performance indicators of both a financial and non financial nature.

## Significant Changes in the State of Affairs

On 29 April 2011 the Company successfully listed on the Australian Securities Exchange, after completing a successful initial public offering raising \$20 Million before expenses.

## Significant Events After the Balance Date

There were no significant events that occurred after balance date.





## Likely Developments and Expected Results

Information as to the likely developments in the operations of the Company and the expected results of those operations has been included in the review of operations.

## Environmental Regulation and Performance

The Company is aware of its responsibility to impact as little as possible on the environment, and where there is any disturbance, to rehabilitate sites. During the year under review the majority of work carried out was in South Australia and the Company followed procedures and pursued objectives in line with guidelines published by the South Australian Government. These guidelines are quite detailed and encompass the impact on owners and land users, heritage, health and safety and proper restoration practices. The Company supports this approach and is confident that it properly monitors and adheres to these objectives, and any local conditions applicable, both in South Australia and elsewhere.

The Company is committed to minimising environmental impacts during all phases of exploration, development and production through a best practice environmental approach. The Company shares responsibility for protecting the environment for the present and the future. It believes that carefully managed exploration programs should have little or no long-lasting impact on the environment and the Company has formed a best practice policy for the management of its exploration programs. The Company properly monitors and adheres to this approach and there were no environmental incidents to report for the year under review. Furthermore, the Company is in compliance with the state and/or commonwealth environmental laws for the jurisdictions in which it operates.

## Occupational Health, Safety and Welfare

In running its business, Musgrave Minerals aims to protect the health, safety and welfare of employees, contractors and guests. In the reporting year the Company experienced no medical aid incidents and no lost time injuries. The Company reviews its Occupational Health, Safety and Welfare (OHS&W) policy at regular intervals to ensure a high standard of OHS&W.

## Indemnification and Insurance of Directors and Officers

To the extent permitted by law, the Company has indemnified (fully insured) each Director and the Company Secretary of the Company for a premium of \$13,200 (2010: \$12,060). The liabilities insured include costs



and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

## Share Options

### Unissued Shares

At the date of this report, the following options to acquire ordinary shares in the Company were on issue:

Issue Date	Expiry Date	Exercise Price	Balance at 1 July 2010	Net Issued/ (Exercised) during Year	Lapsed/ Cancelled/ Expired	Balance at 30 June 2011
21/08/2010	20/08/2015	\$0.25	-	7,750,000	-	7,750,000
17/02/2011	17/02/2016	\$0.36	-	4,750,000	-	4,750,000
17/02/2011	17/02/2016	\$0.50	-	2,500,000	-	2,500,000
09/05/2011	8/05/2016	\$0.36	-	500,000	-	500,000
			-	<b>15,500,000</b>	-	<b>15,500,000</b>

### New Options issued

The following unlisted options were issued during the year to:

- The tenement vendors pursuant to Tenement Sale Agreements (outlined in the prospectus lodged with the ASX on 27 April 2011):
  - 7,750,000 options with an exercise price of \$0.25 and exercisable any time between 21 August 2010 to 20 August 2015.
- The Directors and Company Secretary:
  - 2,250,000 options with an exercise price of \$0.36 and exercisable any time between 28 April 2013 to 17 February 2016.
- The Managing Director pursuant to his employment agreement:
  - 2,500,000 options with an exercise price of \$0.36 which are exercisable at any time between 28 April 2013 until 17 February 2016.
  - 2,500,000 options with an exercise price of \$0.50 which are exercisable at any time between 28 April 2013 until 17 February 2016.
- An employee under the Company's Employee Share Option Plan (ESOP):
  - 500,000 options with an exercise price of \$0.36 and exercisable anytime between 9 May 2011 to 8 May 2016.



# Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for Directors and other key management personnel of Musgrave Minerals Ltd.

## Remuneration philosophy

The Board is responsible for determining remuneration policies applicable to Directors and senior executives of the Company. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration consideration is given by the Board to the Company's financial performance.

## Employment contracts

The employment conditions of the Managing Director, Mr Robert Waugh, are formalised in an employment contract. Under this contract, the Company agrees to employ Mr Waugh as Managing Director of the Company for a period of three years commencing on 7 March 2011 with his current gross annual salary, inclusive of 9% superannuation guarantee, being \$290,000. The Company may terminate the employment contract without cause by providing six (6) months written notice or making payment in lieu of notice, based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

The employment conditions of the Exploration Manager, Dr Justin Gum, are formalised in a contract of employment. Dr Gum commenced employment on 1 October 2010 and his current gross annual salary, inclusive of superannuation guarantee, is \$163,500. Either party may terminate the employment contract without cause by providing one (1) month's written notice or making payment in lieu of notice (in the case of the Company) or forfeiture of one month's salary (in the case of Dr Gum), based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

## Key management personnel remuneration and equity holdings

The Board currently determines the nature and amount of remuneration for Board members and senior executives of the Company. The policy is to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives.



The non executive Directors and other executives receive a superannuation guarantee contribution required by the Federal Government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to Directors and executives is expensed as incurred. Executives are also entitled to participate in the Company share option scheme. Options are valued using the Black Scholes methodology.

The Board policy is to remunerate non executive Directors at market rates based on comparable companies for time, commitment and responsibilities. The Board determines payments to non executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Table 1: Directors remuneration for the year ended 30 June 2011 and 30 June 2010

	Short Term Benefits	Post Employment	Share-based payments	Total
	Salary and Fees	Superannuation	Value of options	
Mr Graham Ascough**				
2011	10,900	-	139,500	150,400
2010	-	-	-	-
Mr Robert Waugh				
2011	84,829	7,635	902,500	994,964
2010	-	-	-	-
Mr John Percival**				
2011	7,500	675	93,000	101,175
2010	-	-	-	-
Mrs Kelly Ross**				
2011	7,500	675	93,000	101,175
2010	-	-	-	-
<b>Total</b>				
<b>2011</b>	<b>110,729</b>	<b>8,985</b>	<b>1,228,000</b>	<b>1,347,714</b>
<b>2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Table 2: Remuneration of other key management personnel for the year ended 30 June 2011 and 30 June 2010

	Short Term Benefits	Post Employment	Share-based payments	Total
	Salary and Fees	Superannuation	Value of options	
Dr Justin Gum				
2011	99,533	8,958	98,500	206,991
2010	-	-	-	-
Donald Stephens * & **				
2011	-	-	93,000	93,000
2010	-	-	-	-
<b>Total</b>				
<b>2011</b>	<b>99,533</b>	<b>8,958</b>	<b>191,500</b>	<b>299,991</b>
<b>2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



(\*) HLB Mann Judd (SA) Pty Ltd have received professional fees for accounting, taxation and secretarial services provided during the year of \$68,300 (2010: Nil). Donald Stephens, the Company Secretary, is a consultant with HLB Mann Judd (SA) Pty Ltd.

(\*\*) Graham Ascough is the Managing Director and Donald Stephens is a non-executive Director and Company Secretary of Mithril Resources Ltd which is the beneficial holder of 7.67% of the issued capital of Musgrave Minerals Ltd. John Percival is an executive Director of Goldsearch Ltd which is the beneficial holder of 7.17% of the issued capital of Musgrave Minerals Ltd. Kelly Ross is a non-executive Director of Independence Group NL which is the beneficial holder of 7.46% of the issued capital of Musgrave Minerals Ltd.

Table 3: Options granted as part of remuneration

	Grant Date	Grant Number	Vesting Date	Value per option at grant date	Exercise Price	Total Fair Value	% of Remuneration
Mr Graham Ascough	17/02/11	750,000	17/02/11	\$0.186	\$0.36	\$139,500	92.75%
Mr Robert Waugh	17/02/11	2,500,000	17/02/11	\$0.186	\$0.36	\$465,000	46.74%
Mr Robert Waugh	17/02/11	2,500,000	17/02/11	\$0.175	\$0.50	\$437,500	43.97%
Mr John Percival	17/02/11	500,000	17/02/11	\$0.186	\$0.36	\$93,000	91.92%
Mrs Kelly Ross	17/02/11	500,000	17/02/11	\$0.186	\$0.36	\$93,000	91.92%
Dr Justin Gum	09/05/11	500,000	09/05/11	\$0.197	\$0.36	\$98,500	47.59%
Mr Donald Stephens	17/02/11	500,000	17/02/11	\$0.186	\$0.36	\$93,000	100.00%

Note: None of the above options granted to key management personnel have attached performance conditions in accordance with the current remuneration policy of the Company.

All of the options issued during the year vested upon issue.

Table 4: Option holdings of Key Management Personnel

30 June 2011	Balance at Beginning of Year	Granted as Remuneration	Balance at End of Year	Exercise Price	First Exercise Date	Last Exercise Date
Mr Graham Ascough	-	750,000	750,000	\$0.36	28/04/2013	17/02/2016
Mr Robert Waugh	-	2,500,000	2,500,000	\$0.36	28/04/2013	17/02/2016
Mr Robert Waugh	-	2,500,000	2,500,000	\$0.50	28/04/2013	17/02/2016
Mr John Percival	-	500,000	500,000	\$0.36	28/04/2013	17/02/2016
Mrs Kelly Ross	-	500,000	500,000	\$0.36	28/04/2013	17/02/2016
Dr Justin Gum	-	500,000	500,000	\$0.36	9/05/2011	8/05/2016
Mr Donald Stephens	-	500,000	500,000	\$0.36	28/04/2013	17/02/2016

Note: None of the above Key Management Personnel held options in the prior period.

Table 5: Shareholdings of Key Management Personnel

30 June 2011	Balance at Beginning of Year	Shares Issued During Year	Balance at End of Year
Mr Graham Ascough	-	200,000	200,000
Mr Robert Waugh	-	80,000	80,000
Mr John Percival	-	100,000	100,000
Mrs Kelly Ross	-	50,000	50,000
Dr Justin Gum	-	40,000	40,000
Mr Donald Stephens	-	-	-

Note: None of the above Key Management Personnel held shares in the prior period.

## Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

Number of Meetings Held	Directors' Meetings		Audit Committee	
	Eligible	Attended	Eligible	Attended
6	-	-	-	-
<b>Number of Meetings Attended:</b>	<b>Eligible</b>	<b>Attended</b>	<b>Eligible</b>	<b>Attended</b>
Mr Graham Ascough	6	6	-	-
Mr Robert Waugh	2	2	-	-
Mr John Percival	6	6	-	-
Mrs Kelly Ross	6	6	-	-

The members of the audit committee are Mrs Kelly Ross, Mr Graham Ascough and Mr Robert Waugh.

## 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.

# Auditor Independence and Non-Audit Services

Grant Thornton Audit Pty Ltd, in its capacity as auditor for Musgrave Minerals Limited, provided services as the Company's Investigating Accountant to the prospectus during the reporting year.

The auditor's independence declaration for the year ended 2011 as required under section 307C of the Corporations Act 2001 has been received and can be found on the following page.

Signed in accordance with a resolution of the Board of Directors.



**Mr Graham Ascough**

Chairman

Dated this 28th day of September 2011





# Auditor's Independence Declaration



Level 1,  
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Wayville SA 5034  
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## **AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF MUSGRAVE MINERALS LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Musgrave Minerals Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in blue ink, appearing to read "J. L. Humphrey".

J. L. Humphrey  
Director – Audit & Assurance Services

Adelaide, 28 September 2011

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# Corporate Governance Statement

The Board of Directors has adopted a corporate framework for the Company which is underpinned by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) (Recommendations) applicable to ASX-listed entities.

This Section addresses each of the Corporate Governance Principles and, where the Company has not followed a Recommendation, this is identified with the reasons for not following the Recommendation. Those charters and policies that form the basis of the corporate governance practices of the Company are located on the Company's website.

## Principle 1 - Lay solid foundations for management and oversight

### **(a) Recommendation 1.1 – Functions reserved to the Board and delegated to senior executives**

The Board will be accountable to Shareholders for the performance of the Company and will have overall responsibility for its operations. Day to day management of the Company's affairs, and the implementation of the corporate strategy and policy initiatives, will be formerly delegated by the Board to the Managing Director.

The Company has established functions reserved to the Board and functions delegated to senior executives.

The functions reserved to the Board include:

- Approving the strategic direction and related objectives of the Company and monitoring management performance in the achievement of these objectives.
- Adopting budgets and monitoring the financial performance of the Company.
- Reviewing annually the performance of the Managing Director and senior executives, including the Company Secretary, against the objectives and performance indicators established by the Board.
- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems.
- Overseeing the implementation and management of effective safety and environmental performance systems.

- Ensuring all major business risks are identified and effectively managed.
- Ensuring that the Company meets its legal and statutory obligations.
- Overseeing of the Company, including its control and accountability systems.

The functions delegated to senior executives include:

- Implementing the Company's vision, values and business plan.
- Managing the business to agreed capital and operating expenditure budgets.
- Identifying and exploring opportunities to build and sustain the business.
- Allocating resources to achieve the desired business outcomes.
- Sharing knowledge and experience to enhance success.
- Facilitating and monitoring the potential and career development of the Company's people resources.
- Identifying and mitigating areas of risk within the business.
- Managing effectively the internal and external stakeholder relationships and engagement strategies.
- Determining the senior executives' position on strategic and operational issues.

For the purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at the Company's expense, unless the Board determines otherwise.

The Board schedules meetings on a regular basis and other meetings as and when required.

The Company has not formally established the functions reserved to the Board and those delegated to senior executives in accordance with recommendations 1.1 and 1.3 of the ASX Corporate Governance Council. Given the size of the Company, the Board has not considered it necessary to formulate a Board charter.

## **(b) Recommendation 1.2 – Performance evaluation of senior executives**

The Managing Director and senior management participate in annual performance reviews. The performance of staff is measured against the objectives and performance indicators established by the Board. A performance evaluation for senior executives will take place in the upcoming reporting period in accordance with the Company's documented process. The performance of senior executives is reviewed by comparing performance against agreed measures, examining the effectiveness and results of their contribution and identifying areas for potential improvement. In accordance with recommendations 1.2 and 1.3 of the ASX Corporate Governance Council the Company has not disclosed a description of the performance evaluation process in addition to the disclosure above.





## Principle 2 - Structure the Board to add value

At the date of this report the Board consists of the following Directors:

- Mr Graham Ascough - Non-Executive Chairman
- Mr Robert Waugh - Managing Director
- Mrs Kelly Ross - Non-Executive Director
- Mr John Percival - Non-Executive Director

The Board considers this to be an appropriate composition given the size and development of the Company at the present time. A profile of each Director including their skills, qualifications and experience, is set out in the Directors' Report.

### **(a) Recommendation 2.1 - A majority of the Board should be independent Directors**

The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the Board. Those Directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors' meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors. Each Director is required by the Company to declare on an annual basis the details of any financial or other relevant interests that they may have in the Company.

The Board has determined that its three non-executive Directors are not independent as defined under Recommendation 2.1. The Company is therefore at variance with Recommendation 2.1 in that a majority of Directors are not independent.

The Board considers its current structure to be an appropriate composition of the required skills and experience, given the experience of the individual Directors and the size and development of the Company at the present time.

Each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.1, all Directors bring an independent judgment to bear on Board decisions.

### **(b) Recommendation 2.2 – The chair should be an independent Director**

The Company's Chairman, Mr Graham Ascough, is not an independent Director as defined under Recommendation 2.1.

**(c) Recommendation 2.3 – The roles of chair and Managing Director should be separated**

The roles of the Chairman and the Managing Director will not be exercised by the same individual.

**(d) Recommendation 2.4 – Nomination Committee**

The Board has not established a Nomination and Remuneration Committee in accordance with recommendation 2.4 of the Corporate Governance Council. The Board takes ultimate responsibility for these matters and continues to monitor the composition of the Board and the roles and responsibilities of its members. Accordingly, the Company does not have a Nomination and Remuneration Committee Charter in accordance with recommendations 2.4 and 2.6 of the ASX Corporate Governance Council.

**(e) Recommendation 2.5 – Process for evaluating the performance of the Board**

The Board continues to review performance against appropriate measures and identify ways to improve performance. The Board has not formally disclosed the review process in accordance with recommendations 2.5 and 2.6 of the ASX Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider the disclosure of the performance evaluation necessary at this stage.

**(f) Recommendation 2.6 – Additional information concerning the Board and Directors**

The Company will include the disclosures required by Recommendation 2.6 in its future annual reports.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

## Principle 3 – Promote ethical and responsible decision making

**(a) Securities Trading Policy**

The Company has established a policy concerning trading in the Company's shares by the Company's officers, employees and contractors and consultants to the Company while engaged in work for the Company (Representatives).



This policy provides that it is the responsibility of each Representative to ensure they do not breach the insider trading prohibition in the Corporations Act. Breaches of the insider trading prohibition will result in disciplinary action being taken by the Company.

Representatives must also obtain written consent from the Chairman (or, in the case of the Chairman, from the Board) prior to trading in the Company's securities.

Subject to these restrictions, the policy provides that Directors, the Company Secretary and employees of, or contractors to, the Company that have access to the Company's financial information or drilling results are permitted to trade in the Company's securities throughout the year except during the following periods:

- (a) the period between the end of the March, June, September and December quarters and the release of the Company's quarterly report to ASX for so long as the Company is required by the Listing Rules to lodge quarterly reports; and
- (b) 24 hours after the following events:
  - (i) Any major announcements;
  - (ii) The release of the Company's quarterly, half yearly and annual financial results to the ASX; and
  - (iii) The Annual General Meeting and all other General Meetings.

In exceptional circumstances the Board may waive the requirements of the Share Trading Policy to allow Representatives to trade in the shares of the Company, provided to do so would not be illegal.

Directors must advise the Company Secretary of changes to their shareholdings in the Company within two (2) business days of the change.

## **(b) Recommendation 3.1 – Code of Conduct**

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Company intends to maintain a reputation for integrity and is highly committed to demonstrating appropriate corporate practices and decision making. The Company's officers and employees are required to act in accordance with the law and with the highest ethical standards. The Board has adopted and disclosed a formal code of conduct applying to the Board and all employees in accordance with recommendations 3.1 and 3.5 of the Corporate Governance Council.

## **(c) Recommendation 3.2 and Recommendation 3.3 – Diversity Policy**

The ASX Corporate Governance Council has released amendments dated 30 June 2010 to the 2nd edition Corporate Governance Principles and Recommendations in relation to diversity.





For the purpose of the amendments diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

The Company continues to strive towards achieving objectives established towards increasing gender diversity.

The Company will assess all staff and Board appointments on their merits with consideration to diversity a driver in decision making. The Company has not yet developed or disclosed a formal diversity policy and therefore has not complied with the recommendations 3.2 and 3.3 of the Corporate Governance Council effective from 1 January 2011.

The Board is ultimately responsible for reviewing the achievement of this policy.

The Company will include the disclosures required by Recommendation 3.3 in its future annual reports.

#### **(d) Recommendation 3.4 - Reporting in Annual Report**

The Company's future annual reports will include a report containing the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

## Principle 4 - Safeguard integrity in financial reporting

The Company has structured financial management to independently verify and safeguard the integrity of its financial reporting. The structure established by the Company includes:

- Review and consideration of the financial statements by the Audit Committee.
- A process to ensure the independence and competence of the Company's external auditors.

#### **(a) Recommendation 4.1 – Audit Committee**

The Company has established an Audit Committee.

#### **(b) Recommendation 4.2 – Structure of the Audit Committee**

The Company's Audit Committee does not comply with all of the requirements of Recommendation 4.2. Details are as follows:

- the Audit Committee does not consist only of non-executive Directors; there are two non-executive Directors and one executive Director;
- the Audit Committee does not consist of a majority of independent Directors; and

- the Audit Committee is chaired by Mrs Kelly Ross, who is not an independent Director.

Although none of the members of the Audit Committee are independent, the Board has nevertheless determined that the composition of the Audit Committee represents the only practical mix of Directors that have an appropriate range of qualifications and expertise and that can understand and competently deal with current and emerging relevant business issues.

### **(c) Recommendation 4.3 – Audit Committee Charter**

The Audit Committee's primary responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Company;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the Board;
- nominate external auditors;
- review the performance of the external auditors and existing audit arrangements; and
- ensure compliance with laws, regulations and other statutory or professional requirements, and the Company's governance policies.

The Company has adopted an Audit Committee Charter which sets out its role, responsibilities and membership requirements and reflects the matters set out in the commentary and guidance for Recommendation 4.3.

### **(d) Recommendation 4.4 – Additional Information concerning the Audit Committee**

The Company will include the disclosures required by Recommendation 4.4 in its future annual reports.

In accordance with the guide to reporting on Principle 4, the Company's Audit Committee Charter is available on the Company's website.

## Principle 5 - Make timely and balanced disclosure

The Company has a policy that all shareholders and investors have equal access to the Company's information. The Board ensures that all price sensitive information is disclosed to ASX in accordance with the continuous disclosure requirements of the Corporations Act and Listing Rules. The Company Secretary has primary responsibility for all communications with ASX and is accountable to the Board through the Chair.

### **(a) Recommendation 5.1 – ASX Listing Rule Disclosure Requirements**

The Company has established a Continuous Disclosure Policy which sets out the key obligations of Directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and Corporations Act. The policy also provides procedures for internal notification and external disclosures, as well as procedures for promoting understanding of compliance with disclosure requirements.

The policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

### **(b) Recommendation 5.2 – Continuous Disclosure Policy**

The Company will include the disclosures required by Recommendation 5.2 in its future annual reports.

A copy of the Company's Continuous Disclosure Policy is available on the Company's website.

## Principle 6 - Respect the rights of shareholders

The Board strives to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and its Directors and to make well-informed investment decisions.

### **(a) Recommendation 6.1 – Shareholder Communications Policy**

Information is communicated to Shareholders through:

- annual, half-yearly and quarterly financial and activity reports;
- annual and other general meetings convened for Shareholder review and approval of Board proposals;
- continuous disclosure of material changes to ASX; and
- the Company's website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

The auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

The Company has adopted a Shareholder Communications Policy for:

- promoting effective communication with shareholders; and
- encouraging shareholder participation at annual and other general meetings.



## **(b) Recommendation 6.2 – Availability of Shareholder Communications Policy**

The Company will include the disclosures required by Recommendation 6.2 in its future annual reports.

A copy of the Company's Shareholder Communications Policy is available on the Company's website.

## Principle 7 - Recognise and manage risk

The Board has identified the significant areas of potential business and legal risk of the Company. In addition the Board has developed the culture, processes and structures of the Company to encourage a framework of risk management which identifies, monitors and manages the material risks facing the organisation.

### **(a) Recommendation 7.1 – Risk Management Policies**

The identification, monitoring and, where appropriate, the reduction of significant risk to the Company is the responsibility of the Managing Director and the Board. The Board has also established the Audit Committee which addresses the risks of the Company.

The Board reviews and monitors the parameters under which such risks will be managed. Management accounts are prepared and reviewed with the Managing Director at subsequent Board meetings. Budgets are prepared and compared against actual results.

Management and the Board monitor the Company's material business risks and reports are considered at regular meetings.

The Company has not publicly disclosed a policy for the oversight and management of material business risks in accordance with recommendations 7.1 and 7.4 of the Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider disclosure of a risk management policy to be appropriate at this stage.

### **(b) Recommendation 7.2 – Risk Management and Internal Control System**

The Company is in the process of developing a risk management framework which will be supported by the Board of Directors and management.

The Board will require management to design and implement a risk management and internal control system to manage the Company's business risks.

The Board will require management to report to it on whether those risks are being managed effectively.



**(c) Recommendation 7.3 – Statement from the Managing Director and Company Secretary**

The Managing Director and the Company Secretary will be required to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards. Included in this statement will be confirmation that the Company's risk management and internal controls are operating efficiently and effectively.

**(d) Recommendation 7.4 – Additional Information concerning Risk Management**

The Company will include the disclosures required by Recommendation 7.4 in its future annual reports.

The Company has not publicly disclosed a policy for the oversight and management of material business risks in accordance with recommendation 7.1 and 7.4 of the Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider disclosure of a risk management policy to be appropriate at this stage.

## Principle 8 - Remunerate fairly and responsibly

**(a) Recommendation 8.1 – Remuneration Committee**

The Board has not established a Remuneration Committee or disclosed a Committee Charter on the Company's website and therefore has not complied with recommendations 8.1 and 8.3 of the Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider a Remuneration Committee to be appropriate at this stage.

**(b) Recommendation 8.2 - Structure of Remuneration Committee**

The Board has not established a Remuneration Committee or disclosed a Committee Charter on the Company's website and therefore has not complied with recommendations 8.2 and 8.3 of the Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider a Remuneration Committee to be appropriate at this stage.

**(c) Recommendation 8.3 – Remuneration of Executive Directors, Executives and Non-Executive Directors**

The Chairman and the non-executive Directors are entitled to draw Director's fees and receive

reimbursement of reasonable expenses for attendance at meetings. The Company is required to disclose in its annual report details of remuneration to Directors. The maximum aggregate annual remuneration which may be paid to non-executive Directors is \$250,000 per annum. This amount cannot be increased without the approval of the Company's Shareholders.

**(d) Recommendation 8.4 – Additional Information concerning Remuneration**

The Company will include the disclosures required by Recommendation 8.3 in its future annual reports.





# Statement of Comprehensive Income

For the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Other Income</b>		227,039	
Employee Benefits Expense	4 (a)	(1,843,093)	(1,848)
Depreciation Expense	4 (b)	(13,023)	(68)
Finance Costs		(903)	-
Other Expenses	4 (c)	(311,495)	<b>(3,844)</b>
<b>Loss Before Income Tax</b>		<b>(1,941,475)</b>	<b>(5760)</b>
Income Tax	5	(310,225)	(986)
<b>Loss From Continuing Operations</b>		<b>(2,251,700)</b>	<b>(6,746)</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive Loss for the Year</b>		<b>(2,251,700)</b>	<b>(6,746)</b>
<b>Earnings Per Share from Continuing Operations:</b>		<b>Cents</b>	<b>Cents</b>
Basic Earnings Per Share	6	(7.56)	-
Diluted Earnings Per Share	6	(7.56)	-

The accompanying notes form part of these financial statements.

# Statement of Financial Position

As at 30 June 2011

	Note	2011 \$	2010 \$
<b>Current Assets</b>			
Cash and Cash Equivalents	7	17,781,987	200,000
Trade and Other Receivables	8	194,824	4,347
Other Current Assets	9	178,275	-
<b>Total Current Assets</b>		<b>18,155,086</b>	<b>204,347</b>
<b>Non-Current Assets</b>			
Plant and Equipment	10	212,767	4,544
Exploration and Evaluation Assets	11	9,597,272	32,023
<b>Total Non-Current Assets</b>		<b>9,810,039</b>	<b>36,567</b>
<b>Total Assets</b>		<b>27,965,125</b>	<b>240,914</b>
<b>Current Liabilities</b>			
Trade and other payables	13	465,496	49,961
Borrowings	14	7,925	-
Provisions	15	22,830	-
<b>Total Current Liabilities</b>		<b>496,251</b>	<b>49,961</b>
<b>Non-Current Liabilities</b>			
Borrowings	14	89,155	-
Provisions	15	1,196	-
<b>Total Non-Current Liabilities</b>		<b>90,351</b>	<b>-</b>
<b>Total Liabilities</b>		<b>586,602</b>	<b>49,961</b>
<b>Net Assets</b>		<b>27,378,523</b>	<b>190,953</b>
<b>Equity</b>			
Issued Capital	17	26,729,469	197,699
Reserves	18	2,907,500	-
Retained Losses	19	(2,258,446)	(6,746)
<b>Total Equity</b>		<b>27,378,523</b>	<b>190,953</b>

The accompanying notes form part of these financial statements.



# Statement of Changes in Equity

For the Year Ended 30 June 2011

	Issued Capital Ordinary \$	Retained Losses \$	Reserves \$	Total \$
<b>Balance at incorporation</b>	-	-	-	-
Total comprehensive (Loss)	-	(6,746)	-	(6,746)
Share Issues	200,000	-	-	200,000
Transaction costs (net of tax)	(2,301)	-	-	(2,301)
<b>Balance at 30 June 2010</b>	<b>197,699</b>	<b>(6,746)</b>	-	<b>190,953</b>
<b>Balance at 1 July 2010</b>	<b>197,699</b>	<b>(6,746)</b>	-	<b>190,953</b>
Total comprehensive (Loss)	-	(2,251,700)	-	(2,251,700)
Fair value of options issued	-	-	1,419,500	1,419,500
Fair value of options issued for consideration for tenements acquired	-	-	1,488,000	1,488,000
Share Issue on 18 November 2010	1,017,800	-	-	1,017,800
Share Issue on 7 December 2010	282,200	-	-	282,200
Share Issued pursuant to the Prospectus	20,000,000	-	-	20,000,000
Share Issue as consideration for tenements acquired	6,000,000	-	-	6,000,000
Transaction costs (net of tax)	(768,230)	-	-	(768,230)
<b>Balance at 30 June 2011</b>	<b>26,729,469</b>	<b>(2,258,446)</b>	<b>2,907,500</b>	<b>27,378,523</b>

The accompanying notes form part of these financial statements.



# Statement of Cash Flows

For the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Cash Flows from Operating Activities</b>			
Payments to suppliers and employees		(847,300)	-
Interest received		227,039	-
<b>Net Cash (Used in) Operating Activities</b>	<b>7 (b)</b>	<b>(620,261)</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of plant and equipment		(221,246)	-
Payments for exploration activities		(1,895,131)	-
<b>Net Cash (Used in) Investing Activities</b>		<b>(2,116,377)</b>	<b>-</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares		21,300,000	200,000
Transaction costs on issue of shares		(1,078,455)	-
Repayment of borrowings		97,080	-
<b>Net Cash Provided by Financing Activities</b>		<b>20,318,625</b>	<b>200,000</b>
Net increase in cash and cash equivalents		17,581,987	200,000
Cash and cash equivalents at the beginning of the year		200,000	-
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>7 (a)</b>	<b>17,781,987</b>	<b>200,000</b>

The accompanying notes form part of these financial statements.



# Notes to the Financial Statements

For the Year Ended 30 June 2011

## 1. Corporate Information

The financial report of Musgrave Minerals Ltd (the Company) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 28<sup>th</sup> September 2011. Musgrave Minerals Ltd is a company limited by shares incorporated and domiciled in Australia. The Company was incorporated on 26<sup>th</sup> May 2010 and the comparative financial statements reflect the transactions to 30<sup>th</sup> June 2010.

## 2. Summary of Significant Accounting Policies

This financial report includes the financial statements and notes of Musgrave Minerals Ltd ('Company').

### **Basis of preparation**

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### **New and Revised Accounting Standards**

The Company has adopted the following revisions and amendments to AASB's issued by the Australian Accounting Standards Board and IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 July 2010:

- Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project- AASB 2009-5
- Improvements to IFRSs- AASB 2010-03.

The adoption of new and revised Accounting Standards effective for the financial statements for the annual period beginning 1 July 2010 did not have a material impact on the Company's financial statements.

#### **a. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### **Interest income**

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### **b. Finance costs**

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

#### **c. Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank, cash in hand and short term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### **d. Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.





## e. Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

## **f. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the 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 as applicable; and
- receivables and payables, which 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.

## **g. Plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Depreciation is calculated on a straight-line and diminishing value basis on all plant and equipment as follows:

Plant and equipment – 20 – 100%

Motor vehicles – 18.75%

### **Impairment**

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In 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.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income.

## **h. Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In 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 for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## **i. Exploration expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that 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.

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

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.

Costs of site restoration are provided over the life of the facility from when exploration commences





and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to the fact that the restoration will be completed within one year of abandoning the site.

## **j. Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

## **k. Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

## **l. Share-based payment transactions**

The Company provides benefits to employees of the Company in the form of share-based payments, whereby employees receive options incentives (equity-settled transactions).

There is currently one plan in place to provide these benefits, the Employee Share Option Plan (ESOP) which provides benefits to Directors and employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Share-based payments to non-employees are measured at the fair value of the equity instruments issued. The fair value is determined using the Black-Scholes option pricing model.



The cost of equity-settled transactions is recognised as an expense in the statement of comprehensive income, together with a corresponding increase in the share option reserve, when the options are issued. However, where options have vesting terms attached, the cost of the transaction is amortised over the vesting period.

Upon the exercise of options, the balance of share based payments reserve relating to those options is transferred to share capital.

### **m. Issued Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **n. Joint Ventures**

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Company recognises its interest in the jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Company also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

### **o. Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgments incorporated into the financial report 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 Company.

#### **Key Estimates — Exploration and evaluation**

The Company's policy for exploration and evaluation is discussed in note 2(i). The application of this policy requires management to make certain assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploration, then the relevant capitalised amount will be written off through the Statement of Comprehensive Income.



**p. Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

In accordance with AASB 133 'Earnings per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account in 2011 or 2010.

**q. New Accounting Standards for Application in Future Periods**

During the current year the Company adopted all of the new and revised Australia Accounting Standards and Interpretations applicable to its operations which became mandatory.

Recently issued accounting standards to be applied in future reporting periods

The accounting standards that have not been early adopted for the period ended 30 June 2011, but will be applicable to the Company in future reporting periods are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future reporting periods, however they have been considered insignificant to the Company.

i) Joint Arrangements

IFRS 11: "Joint Arrangements" was issued by the IASB in May 2011 and provides for a more realistic reflection of joint venture arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interest in jointly controlled entities. This standard is applicable from 1 July 2013, with early adoption permitted. Management is assessing the impact on the company, but at this stage it is believed there will be an insignificant impact.

ii) Disclosure of Interests in Other Entities

IFRS 12: "Disclosure of Interests in other Entities" was issued by the IASB in May 2011 and is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is applicable from 1 July 2013 and management is currently assessing the impacts of the standard, which will be limited to disclosure impacts only. There have also been consequential amendments to IAS 28:



“Investments in Associates” as a result of the above new standard. These amendments are applicable from 1 July 2013.

### iii) Fair Value Measurement

IFRS 13: “Fair Value Measurements” was issued by the IASB in May 2011 and provides a precise definition of fair value, as a single source of fair value measurement and prescribes disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The standard will apply to the Company from 1 July 2013 and at this stage it is believed there will be no impact.

### iv) Other

In addition to the above recently issued accounting standards that are applicable in future years, we note the following new accounting standards that are applicable in future years:

- AASB 124: “Related Party Disclosures”;
- AASB 2009-12: “Amendments to Australian Accounting Standards”;
- AASB 2010-4: “Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project”;
- AASB 2010-5: “Amendments to Australian Accounting Standards”;
- AASB 2010-8: “Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets”; and
- AASB 2011-4: “Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements” .

We do not expect these standards to materially impact our financial results upon adoption.

## r. Comparative figures

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



### 3. Segment Information

The Board has considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Managing Director) in allocating resources and have concluded at this time that there are no separately identifiable segments.

### 4. Revenue and Expenses

	2011 \$	2010 \$
<b>(a) Employees benefits expense</b>		
Wages, salaries, directors fees and other remuneration expenses	653,428	19,214
Transfer to exploration assets	(215,317)	(17,366)
Superannuation	19,982	-
Share-based payments expense	1,385,000	-
	<b>1,843,093</b>	<b>1,848</b>
<b>(b) Depreciation expense</b>		
<i>Depreciation of non-current assets</i>		
Plant and equipment	11,212	68
Motor vehicles	1,811	-
	<b>13,023</b>	<b>68</b>
<b>(c) Other expenses from ordinary activities</b>		
Secretarial, professional and consultancy	105,258	405
Occupancy costs	35,616	1,019
Share register maintenance	9,986	-
Insurance costs	11,935	-
Promotion and advertising	28,611	-
Securities exchange fees	6,959	-
Travel expenses	27,939	-
Audit fees	14,000	1,750
Other expenses	71,191	670
	<b>311,495</b>	<b>3,844</b>

## 5. Income Tax

	2011 \$	2010 \$
<b>A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable income tax rate is as follows:</b>		
<b>Accounting loss before income tax</b>	<b>(1,941,475)</b>	<b>(5,760)</b>
At the Company's statutory income tax rate of 30% (2010: 30%)	(582,443)	(1,728)
Expenditure not allowable for income tax purposes	415,624	-
Immediate write off for capital items	(860,873)	-
Other deductible items	(64,905)	(9,607)
Deferred tax asset not realised as recognition criteria of AASB 112 not met	1,092,597	11,335
<b>Subtotal</b>	<b>-</b>	<b>-</b>
Tax portion of Capital raising costs written off	310,225	986
	<b>310,225</b>	<b>986</b>

The Company has tax losses arising in Australia of \$3,662,652 (2010: \$6,417) that are available indefinitely for offset against future taxable profits of the Company.

These tax losses will only be utilised if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised; and
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Company in realising the benefit.



## 6. Earnings Per Share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2011 \$	2010 \$
<b>Net loss attributable to ordinary equity holders of the Company</b>	<b>(2,251,700)</b>	<b>(6,746)</b>
Weighted average number of ordinary shares for basic earnings per share	29,781,868	4,000,000
Effect of dilution	N/A	N/A
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>29,781,868</b>	<b>4,000,000</b>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

## 7. Cash and Cash Equivalents

	2011 \$	2010 \$
Cash at bank and in hand	651,987	200,000
Short-term deposits	17,130,000	-
	<b>17,781,987</b>	<b>200,000</b>
<b>(a) Reconciliation to Statement of Cash Flows</b>		
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:		
Cash at banks and in hand	651,987	200,000
Short-term deposits	17,130,000	-
	17,781,987	200,000



## 7. Cash and Cash Equivalents (continued)

	2011 \$	2010 \$
<b>(b) Reconciliation of net loss after tax to net cash flows used in operations</b>		
Net loss	(2,251,700)	(6,746)
<i>Adjustments for non-cash items:</i>		
Depreciation	13,023	68
Share based payments	1,419,500	-
Deferred tax assets written off	310,225	986
<i>Changes in assets and liabilities</i>		
(Increase) in trade and other receivables	(149,306)	-
(Increase) in prepayments	(28,969)	-
Increase in trade and other payables	42,941	10,039
Increase in employee entitlements	24,026	-
(Decrease) in net goods and service tax receivable	-	(4,347)
<b>Net cash used in operating activities</b>	<b>(620,261)</b>	<b>-</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and one year, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

## 8. Trade and Other Receivables

	2011 \$	2010 \$
Goods and services tax receivable	194,824	4,347
	<b>194,824</b>	<b>4,347</b>



## 9. Other Current Assets

	2011 \$	2010 \$
Prepayments	28,969	-
Accrued income	149,306	-
	<b>178,275</b>	<b>-</b>

## 10. Plant and Equipment

	Plant and Equipment \$	Motor Vehicles \$	Total \$
<b>At incorporation</b>	-	-	-
Additions	4,612	-	4,612
Depreciation	(68)	-	(68)
<b>At 30 June 2010, net of accumulated depreciation</b>	<b>4,544</b>	<b>-</b>	<b>4,544</b>
<b>At 30 June 2010</b>			
Cost	4,612	-	4,612
Accumulated depreciation	(68)	-	(68)
<b>Net carrying amount</b>	<b>4,544</b>	<b>-</b>	<b>4,544</b>
<b>At 1 July 2010</b>	<b>4,544</b>	<b>-</b>	<b>4,544</b>
Additions	124,149	97,097	221,246
Depreciation	(11,212)	(1,811)	(13,023)
<b>At 30 June 2011, net of accumulated depreciation</b>	<b>117,481</b>	<b>95,286</b>	<b>212,767</b>
<b>At 30 June 2011</b>			
Cost	128,761	97,097	225,858
Accumulated depreciation	(11,280)	(1,811)	(13,091)
<b>Net carrying amount</b>	<b>117,481</b>	<b>95,286</b>	<b>212,767</b>



## Impairment of plant and equipment

No impairment loss was recognised or reversed for the year ended 30 June 2011 with respect to plant and equipment.

Refer to Note 14 for assets acting as security for borrowings.

## 11. Exploration and Evaluation Assets

	2011 \$	2010 \$
Exploration and evaluation costs carried forward in respect of areas of interest		
Non-Current		
Exploration and evaluation phases	9,597,272	32,023
	<b>9,597,272</b>	<b>32,023</b>
<b>Total</b>	<b>9,597,272</b>	<b>32,023</b>

	Exploration	Total
Capitalised tenement expenditure movement reconciliation		
Balance at 1 July 2010	32,023	32,023
Additions through issue of equity instruments	7,488,000	7,488,000
Additions through expenditure capitalised	2,077,249	2,077,249
<b>Balance at end of year</b>	<b>9,597,272</b>	<b>9,597,272</b>

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

## 12. Share-Based Payments

### Employee Share Option Plan

The Company has established the Musgrave Minerals Ltd Employee Share Option Plan and a summary of the Rules of the Plan are set out below:

- All employees (full and part time) will be eligible to participate in the Plan after a qualifying period of 12 months employment by a member of the Company, although the board may waive this requirement.
- Options are granted under the Plan at the discretion of the board and if permitted by the board, may be issued to an employee's nominee.
- Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue. Options will be issued free. The exercise price of options will be determined by the board, subject to a minimum price equal to the market value of the Company's shares at the time the board resolves to offer those options. The total number of shares, the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.
- If, prior to the expiry date of options, a person ceases to be an employee of the Company for any reason other than retirement at age 60 or more (or such earlier age as the board permits), permanent disability, redundancy or death, the options held by that person (or that person's nominee) automatically lapse on the first to occur of a) the expiry of the period of 6 months from the date of such occurrence, and b) the expiry date. If a person dies, the options held by that person will be exercisable by that person's legal personal representative.
- Options cannot be transferred other than to the legal personal representative of a deceased option holder.
- The Company will not apply for official quotation of any options.
- Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.
- Option holders may only participate in new issues of securities by first exercising their options.

The Board may amend the Plan Rules subject to the requirements of the Listing Rules. The expense recognised in the statement of comprehensive income in relation to share-based payments is disclosed in note 4(a). The following table illustrates the number (No.) and weighted average exercise prices (WAEP) and movements in share options issued during the year:

	2011 No.	2011 WAEP (\$)	2010 No.	2010 WAEP (\$)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	15,500,000	0.33	-	-
Cancelled during the year	-	-	-	-
Outstanding at the end of the year	15,500,000	0.33	-	-
<b>Exercisable at the end of the year</b>	<b>500,000</b>	<b>0.36</b>	-	-

The outstanding balance as at 30 June 2011 is represented by:

- A total of 7,750,000 options exercisable any time until 20 August 2015 with a strike price of \$0.25 (escrowed until 28 April 2013).
- A total of 2,500,000 options exercisable any time until 17 February 2016 with a strike price of \$0.50 (escrowed until 28 April 2013).
- A total of 4,750,000 options exercisable any time until 17 February 2016 with a strike price of \$0.36 (escrowed until 28 April 2013).
- A total of 500,000 options exercisable any time until 8 May 2016 with a strike price of \$0.36.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 4.40 years (2010: nil).

The range of exercise prices for options outstanding at the end of the year was \$0.25-\$0.50 (2010: nil).

The weighted average fair value of options granted during 2011 was \$0.188.

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the year ended 30 June 2011 (there were no options issued and valued in the year ended 30 June 2010):

	2011
Historical Volatility (%)	100% -135%
Risk-free Interest Rate (%)	5%
<b>Expected Life of Option (years)</b>	<b>5</b>

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Volatility is calculated as the average historical volatility of the Company share price for the period of the option life. No other features of options granted were incorporated into the measurement of fair value.



## 13. Trade and Other Payables

	2011 \$	2010 \$
Trade payables (i)	239,838	47,804
Other payables	225,658	2,157
	<b>465,496</b>	<b>49,961</b>

i. Trade payables are non-interest bearing and are normally settled on 60-day terms.

## 14. Borrowings

	2011
<b>Current</b>	
Hire purchase contracts	7,925
	<b>7,925</b>
<b>Non-Current</b>	
Hire purchase contracts	89,155
	<b>89,155</b>

Assets with a written down value of \$95,285 (2010: nil) act as security for these borrowings.

## 15. Provisions

	2011 \$	2010 \$
<b>Current</b>		
Annual Leave Provision	-	-
Opening Balance	-	-
Transfer to provision	22,830	-
<b>Closing Balance</b>	<b>22,830</b>	-

## 15. Provisions (continued)

	2011 \$	2010 \$
<b>Non-current</b>		
Long Service leave Provision	-	-
Opening Balance	-	-
Transfer to provision	1,196	-
<b>Closing Balance</b>	<b>1,196</b>	<b>-</b>
	<b>24,026</b>	<b>-</b>

## 16. Auditor's Remuneration

	2011 \$	2010 \$
Audit or review of financial report	14,000	1,750
Other Non Audit Services*	6,250	-
	<b>20,250</b>	<b>1,750</b>

\*The auditor also prepared the Investigating Accountants' Report for the prospectus dated 8 March 2011.

## 17. Issued Capital

	2011 \$	2010 \$
121,000,000 (2010: 4,000,000) fully paid ordinary shares	26,729,469	197,699
	<b>26,729,469</b>	<b>197,699</b>

## 17. Issued Capital (continued)

	2011		2010	
	Number	\$	Number	\$
Opening balance	4,000,000	197,699	4,000,000	200,000
Share Issue on 18 November 2010	10,178,000	1,017,800	-	-
Share Issue on 7 December 2010	2,822,000	282,200	-	-
Shares issued pursuant to prospectus	80,000,000	20,000,000	-	-
Shares issued as consideration for tenements acquired	24,000,000	6,000,000	-	-
Transaction costs on share issue (net of tax)	-	(768,230)	-	(2,301)
<b>Balance at end of financial year</b>	<b>121,000,000</b>	<b>26,729,469</b>	<b>4,000,000</b>	<b>197,699</b>

Fully paid ordinary shares carry one vote per share and carry the right to dividends (in the event such a dividend was declared).

26,500,000 ordinary shares are escrowed for 24 months from the date of listing being 29 April 2013.

8,500,000 ordinary shares are escrowed for 12 months from the date of issue being 19 April 2012.

## 18. Reserves

The share option reserve records items recognised as expenses on valuation of employee share options and other equity settled transactions.

	2011 \$	2010 \$
Share option reserve	2,907,500	-
	<b>2,907,500</b>	<b>-</b>

	2011		2010	
	Number	\$	Number	\$
Balance at beginning of financial year	-	-	-	-
Issue of options to Directors and Company Secretary	2,250,000	418,500	-	-
Issue of options to Managing Director	2,500,000	465,000	-	-
Issue of options to Managing Director	2,500,000	437,500	-	-

## 18. Reserves (continued)

	2011		2010	
	Number	\$	Number	\$
Issue of options to tenement vendors	7,750,000	1,488,000	-	-
Issue of options to employee under Employee Share Option Plan	500,000	98,500	-	-
<b>Balance at end of financial year</b>	<b>15,500,000</b>	<b>2,907,500</b>	-	-

## 18. Retained Losses

	2011 \$	2010 \$
Opening Balance	(6,746)	-
Net loss attributable to members	(2,251,700)	(6,746)
<b>Balance at end of financial year</b>	<b>(2,258,446)</b>	<b>(6,746)</b>

## 20. Commitments for Expenditure

	2011 \$	2010 \$
<b>Commitments for Expenditure</b>		
<i>Operating leases</i>		
Not longer than 1 year	96,598	-
Longer than 1 year and not longer than 5 years	169,046	-
	<b>265,644</b>	-
<i>Hire purchase commitments</i>		
Not longer than 1 year	86,488	-
Longer than 1 year and not longer than 5 years	43,456	-
<b>Less: future finance charges</b>	<b>(32,864)</b>	-
	<b>97,080</b>	-



## Exploration leases

In order to maintain current rights of tenure to exploration tenements held under agreement with founding shareholders, the Company will be required to spend in the year ending 30 June 2012 net amounts of approximately \$1,200,000 (2011: \$1,180,000) in respect of tenement lease rentals and to meet minimum expenditure requirements. These obligations are expected to be fulfilled in the normal course of operations.

## Bank Guarantee

The Company has various bank guarantees totalling \$50,000 at 30 June 2011 which act as collateral over the lease of offices at 19 Richardson St, West Perth and the Company's Visa business credit cards.

## Contingent Liabilities

At 30 June 2011 there were no contingent liabilities.

# 21. Financial Risk Management Objectives and Policies and Financial Instruments

## Capital risk management

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and accumulated losses as disclosed in notes 17 and 19 respectively. Proceeds from share issues are used to maintain and expand the Company's exploration activities and fund operating costs.

## Categories of financial instruments

	2011 \$	2010 \$
<b>Financial Assets</b>		
Cash and cash equivalents	17,781,987	200,000
Trade and other receivables	194,824	4,347
	<b>17,976,811</b>	<b>204,347</b>

## Categories of financial instruments (continued)

	2011 \$	2010 \$
<b>Financial Liabilities</b>		
Trade and other receivables	465,496	49,961
Hire purchase contracts	97,080	-
	<b>562,576</b>	<b>49,961</b>

### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from activities.

The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

### Interest rate sensitivity analysis

At reporting date, if interest rates had been 0.5% higher or lower and all other variables were held constant, the Company's:

- Net loss would increase or decrease by \$11,259 which is attributable to the Company's exposure to interest rates on its variable bank deposits.

### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves.

## Liquidity and interest risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Consolidated		Non- Interest Bearing	Total
	< 1year	> 1 - < 5 years		
<b>Financial Liabilities</b>				
Fixed Rate	7,925	89,155	465,496	<b>562,576</b>

	Consolidated		Non- Interest Bearing	Total
	< 1year	> 1 - < 5 years		
<b>Financial Liabilities</b>				
Fixed Rate	-	-	49,961	<b>49,961</b>

The following table details the Company's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

	Consolidated		Non- Interest Bearing	Total
	< 1year	> 1 - < 5 years		
<b>Year ended 30 June 2011</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Financial Liabilities</i>				
Fixed rate	-	-	194,824	<b>194,824</b>
Term Deposits	17,130,000	-	-	<b>17,130,000</b>
<b>Weighted average effective interest rate</b>	<b>6.10%</b>	-	-	-
Floating Rate	651,987	-	-	<b>651,987</b>
<b>Weighted average effective interest rate</b>	-	-	-	-

	Consolidated		Non- Interest Bearing	Total
	< 1year	> 1 - < 5 years		
Year ended 30 June 2010	\$	\$	\$	\$
<i>Financial Assets</i>				
Fixed rate	-	-	4,347	<b>4,347</b>
<b>Weighted average effective interest rate</b>	<b>0.00%</b>	-	-	-
Floating Rate	200,000	-	-	<b>200,000</b>
<b>Weighted average effective interest rate</b>	<b>0.01%</b>	-	-	-

## 22. Related Party Disclosure and Key Management Personnel Remuneration

### Payments to related parties

Throughout the year ended 30 June 2011, Mithril Resources Ltd, of which Messrs Ascough and Stephens are directors, provided the Company with access to exploration personnel and equipment. In exchange for these services, Mithril Resources Ltd has received income in the form of service charges. All transactions were conducted on commercial terms and were arms length transactions. The total amount paid or to be paid to Mithril Resources Ltd through the year ended 30 June 2011 was \$153,356 (2010: \$19,755). At 30 June 2011, the Company owed \$5,750 (2010: \$47,804) to Mithril Resources Ltd for service charges and reimbursements.

### Interests of Key Management Personnel (KMP)

Table 1: Directors remuneration for the year ended 30 June 2011 and 30 June 2010

	Short Term Benefits	Post Employment	Share-based payments	Total
	Salary and Fees	Superannuation	Value of options	
Mr Graham Ascough**				
2011	10,900	-	139,500	150,400
2010	-	-	-	-
Mr Robert Waugh				
2011	84,829	7,635	902,500	994,964
2010	-	-	-	-
Mr John Percival**				
2011	7,500	675	93,000	101,175
2010	-	-	-	-
Mrs Kelly Ross**				
2011	7,500	675	93,000	101,175
2010	-	-	-	-
<b>Total</b>				
<b>2011</b>	<b>110,729</b>	<b>8,985</b>	<b>1,228,000</b>	<b>1,347,714</b>
<b>2010</b>	-	-	-	-



Table 2: Remuneration of other key management personnel for the year ended 30 June 2011 and 30 June 2010

	Short Term Benefits	Post Employment	Share-based payments	Total
	Salary and Fees	Superannuation	Value of options	
Dr Justin Gum				
2011	99,533	8,958	98,500	206,991
2010	-	-	-	-
Donald Stephens * & **				
2011	-	-	93,000	93,000
2010	-	-	-	-
<b>Total</b>				
<b>2011</b>	<b>99,533</b>	<b>8,958</b>	<b>191,500</b>	<b>299,991</b>
<b>2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Options

The number of options over ordinary shares held by each KMP of the Company during the financial year is as follows:

30 June 2011	Balance at Beginning of Year	Granted as Remuneration	Balance at End of Year	Exercise Price	First Exercise Date	Last Exercise Date
Mr Graham Ascough	-	750,000	750,000	\$0.36	28/04/2013	17/02/2016
Mr Robert Waugh	-	2,500,000	2,500,000	\$0.36	28/04/2013	17/02/2016
Mr Robert Waugh	-	2,500,000	2,500,000	\$0.50	28/04/2013	17/02/2016
Mr John Percival	-	500,000	500,000	\$0.36	28/04/2013	17/02/2016
Mrs Kelly Ross	-	500,000	500,000	\$0.36	28/04/2013	17/02/2016
Dr Justin Gum	-	500,000	500,000	\$0.36	9/05/2011	8/05/2016
Mr Donald Stephens	-	500,000	500,000	\$0.36	28/04/2013	17/02/2016

(\*) HLB Mann Judd (SA) Pty Ltd have received professional fees for accounting, taxation and secretarial services provided during the year of \$68,300 (2010: Nil). Donald Stephens, the Company Secretary, is a consultant with HLB Mann Judd (SA) Pty Ltd.

(\*\*) Graham Ascough is the Managing Director and Donald Stephens is a Non-Executive Director and Company Secretary of Mithril Resources Ltd which is the beneficial holder of 7.67% of the issued capital of Musgrave Minerals Ltd. John Percival is an Executive Director of Goldsearch Ltd which is the beneficial holder of 7.17% of the issued capital of Musgrave Minerals Ltd. Kelly Ross is a Non-Executive Director of Independence Group NL which is the beneficial holder of 7.46% of the issued capital of Musgrave Minerals Ltd.

## Shareholdings

The number of ordinary shares held by each KMP of the Company during the financial year is as follows:

30 June 2011	Balance at Beginning of Year	Shares Issued During Year	Balance at End of Year
Mr Graham Ascough	-	200,000	200,000
Mr Robert Waugh	-	80,000	80,000
Mr John Percival	-	100,000	100,000
Mrs Kelly Ross	-	50,000	50,000
Dr Justin Gum	-	40,000	40,000
Mr Donald Stephens	-	-	-

Graham Ascough is the Managing Director and Donald Stephens is a Non-Executive Director and Company Secretary of Mithril Resources Ltd which is the beneficial holder of 7.67% of the issued capital of Musgrave Minerals Ltd. John Percival is an Executive Director of Goldsearch Ltd which is the beneficial holder of 7.17% of the issued capital of Musgrave Minerals Ltd. Kelly Ross is a Non-Executive Director of Independence Group NL which is the beneficial holder of 7.46% of the issued capital of Musgrave Minerals Ltd.

## Other related party transactions

In conjunction with the Company's Initial Public Offering, Mithril Resources Investments Pty Ltd (a wholly-owned subsidiary of Mithril Resources Ltd) was issued 5,000,000 fully paid ordinary shares in the capital of the Company and 2,500,000 unlisted options, having an exercise price of \$0.25 and an expiry date of 19 April 2016. The fair value of the shares and options, being a total consideration of \$1,730,000, represented full payment for certain tenements acquired by Musgrave Minerals Ltd (refer to the Company's prospectus for further details). Graham Ascough is the Managing Director and Donald Stephens is a Non-Executive Director and Company Secretary of Mithril Resources Ltd.

In addition, Independence Group NL was issued 3,825,000 fully paid ordinary shares in the capital of the Company and 1,912,500 unlisted options, having an exercise price of \$0.25 and an expiry date of 19 April 2016. The fair value of the shares and options, being a total consideration of \$1,323,450, represented full payment for certain tenements acquired by Musgrave Minerals Ltd (refer to the Company's prospectus for further details). Kelly Ross is a Non-Executive Director of Independence Group NL.

Finally, Goldsearch Ltd was issued 3,675,000 fully paid ordinary shares in the capital of the Company and 1,837,500 unlisted options, having an exercise price of \$0.25 and an expiry date of 19 April 2016. The fair value of the shares and options, being a total consideration of \$1,271,550, represented full payment for certain tenements acquired by Musgrave Minerals Ltd (refer to the Company's prospectus for further details). John Percival is an Executive Director of Goldsearch Ltd.

# 23. Significant Events After Balance Date

No subsequent events have occurred after the balance date.



# Directors' Declaration

In accordance with a resolution of the Directors of Musgrave Minerals Ltd, I state that:

1. In the opinion of the Directors:
  - a. the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
    - i. giving a true and fair view of the Company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
    - ii. comply with Accounting Standards and Corporations Regulations 2001 and other mandatory professional reporting requirements; and
    - iii. comply with International Financial Reporting Standards as disclosed in Note 2; and
  - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board of Directors



**Mr Graham Ascough**

Chairman

Dated this 28th day of September 2011



# Independent Auditor's Report



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MUSGRAVE MINERALS LIMITED**

### **Report on the financial report**

We have audited the accompanying financial report of Musgrave Minerals Limited (the "Company"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and 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 company.

### **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 of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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 which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

#### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

#### **Auditor's opinion**

In our opinion:

- a the financial report of Musgrave Minerals Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the Company'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 the notes to the financial statements.

#### **Report on the remuneration report**

We have audited the remuneration report included in 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.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Musgrave Minerals Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J/L Humphrey  
Director – Audit & Assurance Services

Adelaide, 28 September 2011

# ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 August 2011.

## The use of cash and cash equivalents

The Company has used all cash and cash equivalents for the purpose of carrying out its stated business objectives.

## Distribution of equity securities

### Ordinary share capital

- 121,000,000 fully paid ordinary shares are held by 1,264 individual shareholders. There are no restricted and unquoted ordinary shares.

All issued ordinary shares carry one vote per share.

### Options

- 15,500,000 unlisted options are held by 10 individual option holders. One holder, Mr Robert Waugh and Mrs Sara Waugh <Waugh Family Trust A/C>, holds 5,000,000 unlisted options (equivalent to 32.26% of total unlisted options).





The number of shareholders, by size of holding, in each class are:

	Fully Paid Ordinary Shares	Unlisted Options
1 - 1,000	1	-
1,001 - 5,000	45	-
5,001 - 10,000	303	-
10,001 - 100,000	789	-
100,001 and over	126	10
	<b>1,264</b>	<b>10</b>
<b>Holding less than a marketable parcel</b>	<b>22</b>	<b>-</b>

### Substantial shareholders

Ordinary shareholders	Fully Paid	
	Number	Percentage
Mithril Resources Investments Pty Ltd	9,283,871	7.67%
Independence Group NL	9,027,000	7.46%
Goldsearch Limited	8,673,000	7.17%
J P Morgan Nominees Australia Limited	8,200,000	6.78%
	<b>35,183,871</b>	<b>29.08%</b>



## Twenty largest holders of quoted equity securities

	Fully Paid Ordinary Shares	
	Number	Percentage
Mithril Resources Investments Pty Ltd	9,283,871	7.67%
Independence Group NL	9,027,000	7.46%
Goldsearch Limited	8,673,000	7.17%
J P Morgan Nominees Australia Limited	8,200,000	6.78%
Barrick (Australia Pacific) Limited	6,000,000	4.96%
Integra Mining Limited	5,516,129	4.56%
J P Morgan Nominees Australia Limited <Cash Income A/C>	5,418,791	4.48%
Argonaut Resources NL	2,500,000	2.07%
Mr Steven Harold Koppe	1,500,000	1.24%
Forty Traders Limited	1,000,000	0.83%
Mr William Douglas Goodfellow	1,000,000	0.83%
Hipete Pty Limited	1,000,000	0.83%
Premar Capital Nominees Pty Ltd	1,000,000	0.83%
Ms Jeanette Richardson	1,000,000	0.83%
HSBC Custody Nominees (Australia) Limited	927,000	0.77%
Merrill Lynch (Australia) Nominees Pty Ltd	827,604	0.68%
Finico Pty Ltd	800,000	0.66%
Octavian Services Pty Ltd	800,000	0.66%
Yarandi Investments Pty Ltd <Griffith Family No 2 A/C>	800,000	0.66%
Forsyth Barr Custodians Ltd <Forsyth Barr Ltd- Nominee A/C>	609,756	0.50%
	<b>65,883,151</b>	<b>54.47%</b>

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