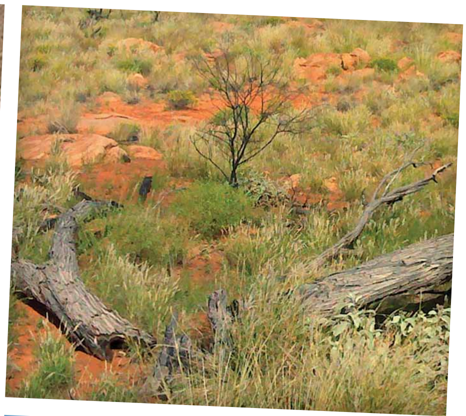
MUSGRAVE Minerals Ltd

ASX : MGV

Annual Report

Exploration for base metal deposits, silver and gold mineralisation in South Australia.



ABN 12 143 890 671

Musgrave Minerals Ltd is a dedicated mineral resources company focused on base metal, silver and gold exploration in South Australia.

The Company's functional and presentational 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: $13.6M

ABN: 12 143 890 671

Top shareholders

Mithril Resources Ltd

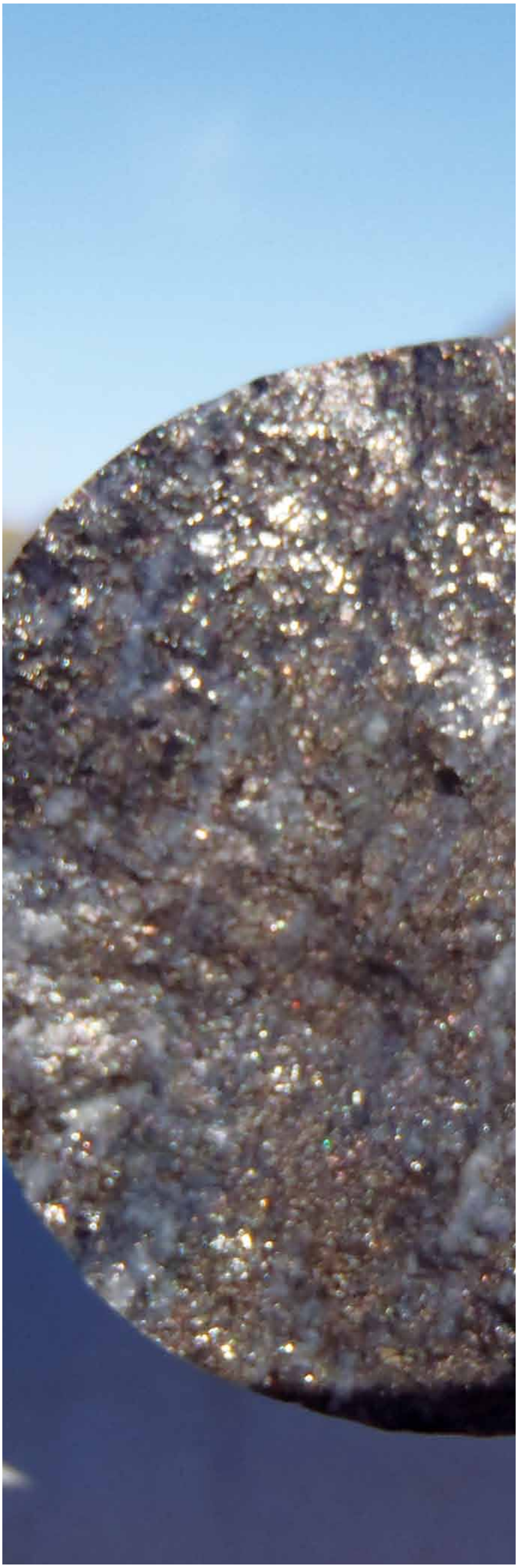
Independence Group NL

Goldsearch Ltd

JP Morgan Nominees Australia Limited

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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Western Australia

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www.musgraveminerals.com.au

Share Registry

Computershare Investor Services Pty Ltd

Level 5, 115 Grenfell Street

ADELAIDE, SA, 5000

Auditor

Grant Thornton South Australian Partnership

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

22 - 28 King William Street

ADELAIDE SA 5000

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Chairman's Letter

Dear Fellow Shareholder,

It is my pleasure to present the 2012 annual report for Musgrave Minerals Limited. As the Company listed on the Australian Securities Exchange in April 2011, this has been our first full year of operation, and it has been pleasing to see so much activity and exploration completed on our projects in the Musgrave Province of north-west South Australia in the past 12 months.

Our very busy year has included four drilling programs completed at two sites – the Moorilyanna Prospect at the Mimili Project, and at the Deering Hills Project. This is great progress by our team in which we identified primary copper mineralisation at Moorilyanna and intersected disseminated stringer copper sulphides in Giles Complex gabbros in diamond core drilled at Deering Hills. These drill programs came on the back of a great deal of work including ground electromagnetic and geophysical surveys and vacuum drilling, which helped our team identify these targets. We will continue to work to define and test targets within our high-quality portfolio of tenements over the coming year, with our primary aim to identify and define an economic mineral resource.

An exciting development for Musgrave in May 2012 was the granting of four new Exploration Licences in far north-west South Australia. The granting of these licences more than doubles Musgrave's previous granted exploration area from 5,590km^2 to over 12,800km^2. These new licences are highly prospective for copper and nickel sulphide mineralisation. The receipt of these licences demonstrates the relationship that Musgrave has forged with Anangu Pitjantjatjara Yankunytjatjara ("APY" – a body corporate established by the APY Lands Rights Act 1981, SA) and Traditional Owners. These are the first mineral Exploration Licences to be granted in APY lands since 2008, and Musgrave is the first company to hold active mineral Exploration Licences over these areas, providing us with a great opportunity. We look forward to commencing our work programs on these new areas in the year ahead.

Musgrave has recently announced a new joint venture with Menninnie Metals Pty Ltd on the Menninnie Dam silver-zinc-lead project in the Southern Gawler Craton of South Australia. This is an excellent opportunity for Musgrave and we look forward to drill testing new targets at Menninnie Dam in 2012-2013 in conjunction with our program in the Musgrave Ranges.

Musgrave has built a strong exploration team that is dedicated to the task at hand – continuing to identify and test high quality targets across our project portfolio. Musgrave will maintain its strategy of defining and testing high-quality base metal targets within the region, whilst actively seeking additional opportunities to diversify our portfolio.

In closing, I would like to thank the management and staff of Musgrave for their work over the past year. There is much work to do to follow up on the past year's activities, and we look forward to seeing the results of this over the coming year.

Graham Ascough

Chairman

Review of Operations

Musgrave Minerals Ltd ('Musgrave Minerals' or the 'Company') is dedicated to discovering deposits of economic mineralisation in 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^2 (Figure 1), and have recently expanded our portfolio by establishing a joint venture with Menninnie Metals Pty Ltd for the Menninnie Dam silver-zinc-lead project in the Southern Gawler Craton of South Australia.

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.

The recent discovery of high-grade magmatic nickel-copper sulphides at the Nova deposit in the Fraser Range of Western Australia by Sirius Resources has highlighted the potential of the ~1300Ma mafic intrusives within the Birksgate Complex of the eastern Musgrave to host similar nickel-copper sulphide deposits. This is potentially significant and opens a new window of opportunity within the Musgrave Province which hosts similar age and style rocks to those identified at Nova.

In South Australia, the Musgrave Province lies almost entirely within Anangu Pitjantjatjara Yankunytjatjara ("APY") land (Aboriginal freehold land). Musgrave Minerals continues to develop the strong relationship with the APY people that our cornerstone investor companies had commenced.

For many years the Musgrave Province has been deemed prospective for mineral exploration, although exploration has been relatively restricted until more recent times. Access has now improved with Musgrave Minerals successfully negotiating the grant of four new exploration licence applications in areas never before granted to mineral explorers.

Musgrave Minerals now holds 11 granted exploration licences totalling more than 12,900km^2. We are in the process of advancing additional tenements through the granting process and expect to have exploration access to more new prospective ground in the next 12 months.

The key to exploration success in the Musgrave Province is the adoption and implementation of the latest technology and geological expertise with a systematic exploration approach combined with a commitment to strong community relations.

During Musgrave Minerals' first full year of operation, the Company focused on two main project areas, Deering Hills and Moorilyanna (Figure 1). During this period, we successfully

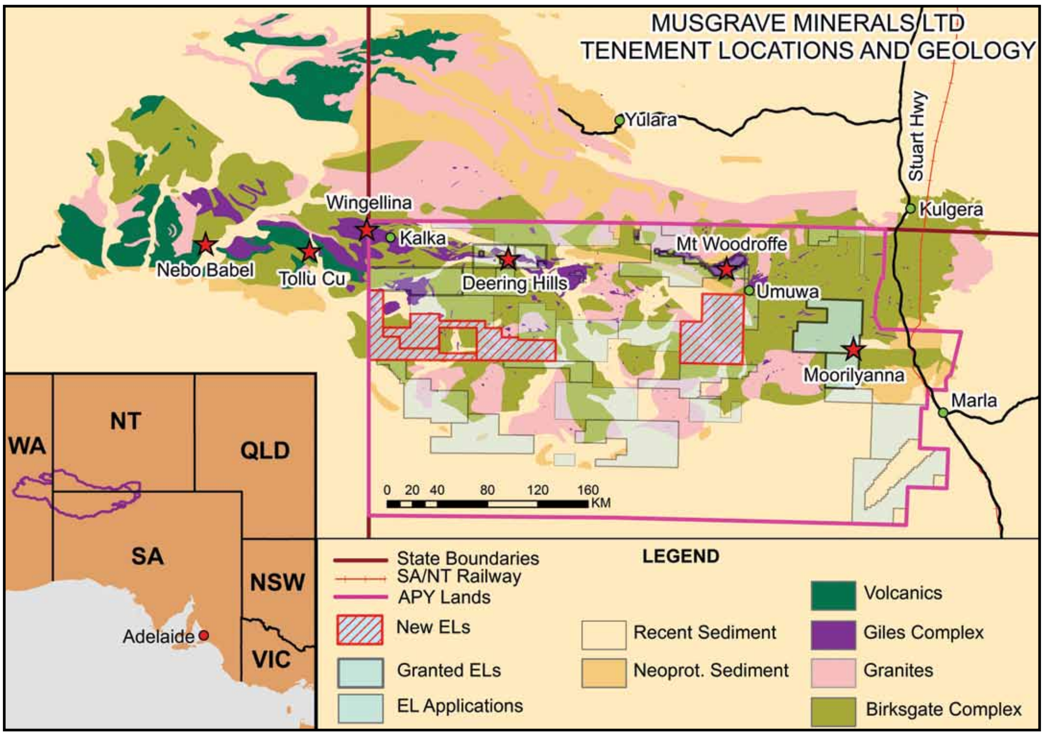

Figure 1: Musgrave Minerals' Project Location Map

completed three drilling campaigns at Deering Hills and one at Moorilyanna, along with a range of other field activities to advance targets to a drill-ready stage. The Company has successfully demonstrated the prospectivity of the area by identifying magmatic nickel-copper sulphide mineralisation at Deering Hills and primary hydrothermal copper mineralisation at Moorilyanna.

Musgrave Minerals is continuing to define new targets through the use of 3D magnetic and gravity modelling along with airborne electromagnetics, geological mapping, geochemistry and ground electrical geophysical surveys. The Company is developing a pipeline of targets for drill testing in the next 12 months. 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.

Corporate

Musgrave Minerals Ltd listed on the Australian Securities Exchange ("ASX") on 29 April 2011.

During the Company's first full financial year since listing, Musgrave Minerals spent $4.7 million on exploration and administration activities. At the end of June 2012, the Company was well resourced, holding $13.6 million in cash.

We have established a strong exploration team that will continue to focus on the exploration and potential development of mineral projects in the Musgrave region of South Australia.

As part of the Company's growth strategy, the Board and management are using expertise and industry experience to assess a range of additional opportunities for joint venture or acquisition.

Musgrave have recently executed a Heads of Agreement with Menninnie Metals Pty Ltd on the Menninnie Dam Ag-Zn-Pb project in the Southern Gawler Craton of South Australia. The Menninnie Dam project has a number of exciting targets the Company will drill test in the coming 12 months.

Exploration Activities

Mimili Project

EL3954 & EL3955 (100% Musgrave Minerals Ltd)

- Primary copper mineralisation intersected in reverse circulation (RC) drilling at Moorilyanna
- Priority drill target at Ragnar identified
- Two mid-late time ground EM conductors awaiting drill testing

RC drill bits

MGV Board members (from left) Graham Ascough, John Percival, Robert Waugh and Kelly Ross

Musgrave Minerals owns 100% of the Mimili Project which consists of two exploration licences, EL3955 and EL3954. The project is situated 40km west of the Stuart Highway and approximately 70km north-west of Marla in South Australia. Exploration within the Mimili Project was focused at the Moorilyanna Prospect during the year with the Company undertaking reconnaissance mapping, sampling, an induced polarisation (IP) survey and an RC drilling program.

The information gleaned from this work has been invaluable in increasing our understanding of the geology of the area and its regional prospectivity.

RC sampling at Moorilyanna

Drilling of six co-incident IP and copper geochemical targets intersected primary copper mineralisation over narrow widths. The drilling has highlighted a number of new targets for follow-up work, including the Ragnar target (Figures 2 and 3).

A significant IP anomaly has been identified at Ragnar, with co-incident copper mineralisation (Figure 2). Drill hole MOORC016 was drilled to test the IP target but stopped short of the target depth due to a high influx of ground water. The hole terminated in highly altered sheared gabbro with visible disseminated sulphides and 0.14% Cu near the end of hole (Figure 4). The Ragnar target is located at an excellent geological address on the edge of a regional graben margin fault and intersecting north-west structure. A regional geochemical program is planned for this target before drilling will recommence.

RC sampling at Moorilyanna

RC drill rig console

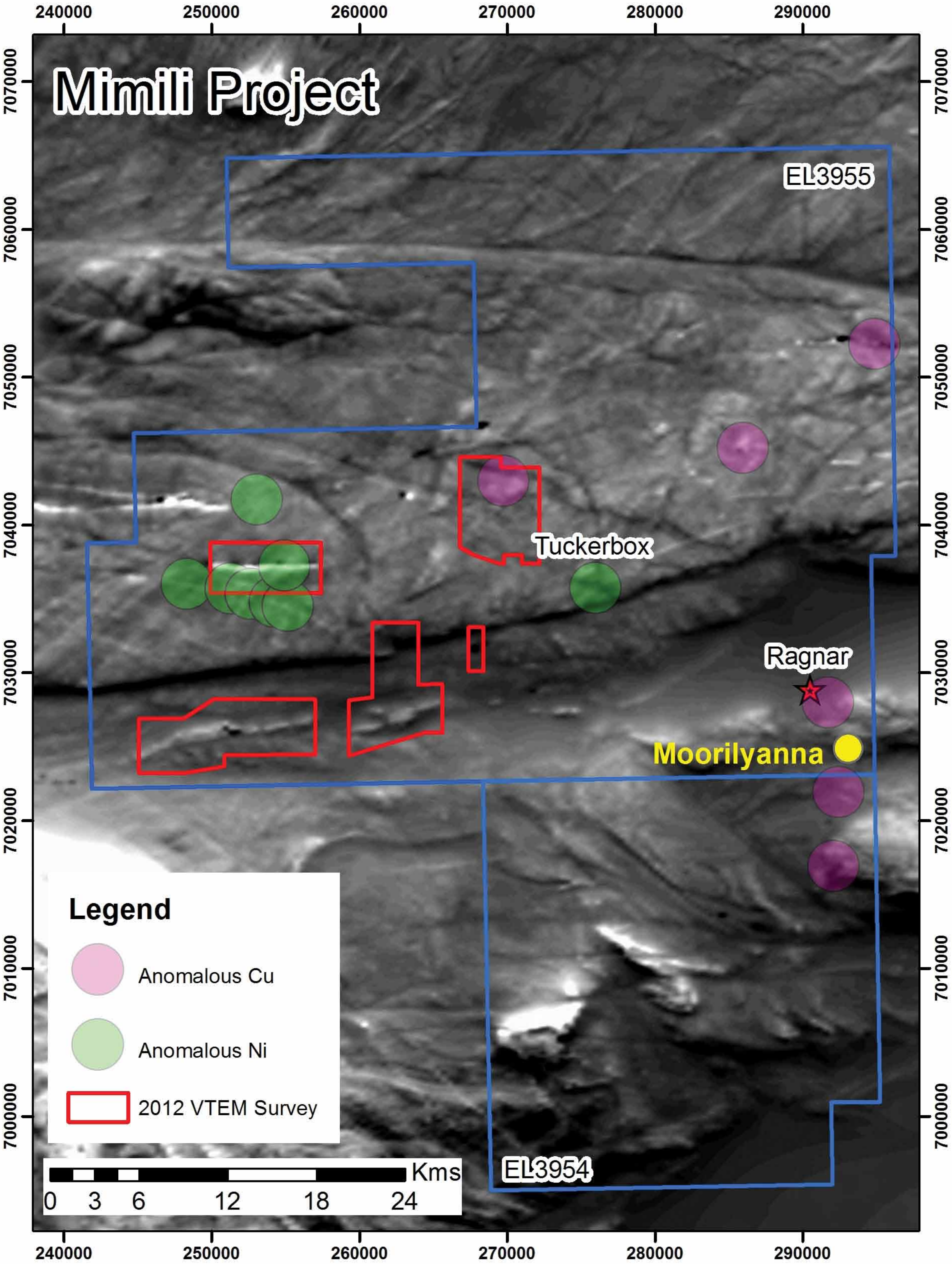

Figure 2: Location of Mimili Project geochemical anomalies and the Ragnar target on a grey scale aeromagnetic image

RC sampling at Moorilyanna

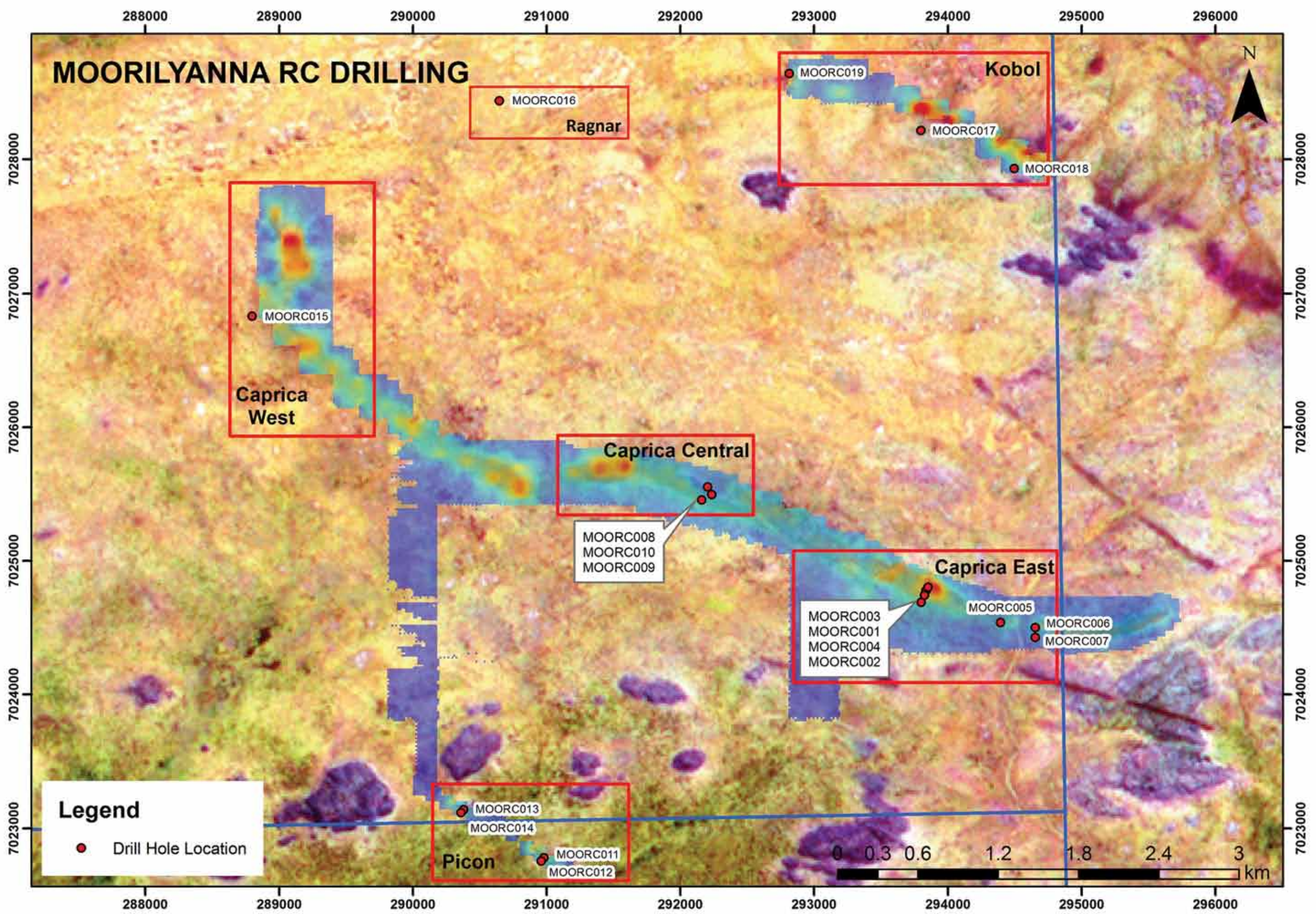

Figure 3: Location of Moorilyanna drill holes on geochemical Cu grid and aster image

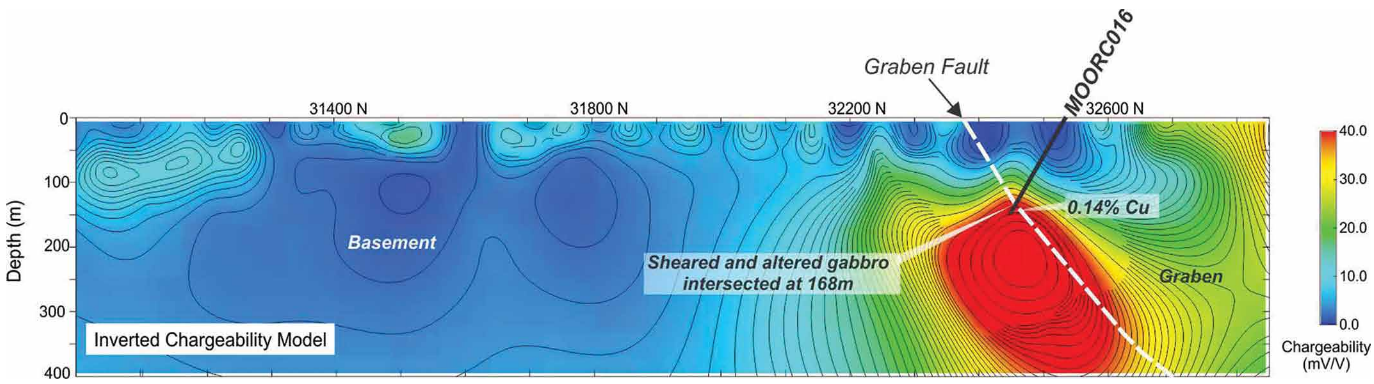

Figure 4: IP inverted chargeability model for Ragnar cross section showing untested target

Deering Hills Project

EL3941 & EL3942 (100% Musgrave Minerals Ltd)

- Magmatic sulphides identified in drilling at the Valen target
- Strong off-hole conductor identified in DHEM at Valen
- Mt Alvey and Minbar nickel-copper-PGE geochemical targets identified

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. EL3942 is one of the most prospective tenements in the portfolio and has been one of the focuses of our exploration.

Diamond drilling at Deering Hills

A regional vacuum and two diamond drilling programs have been completed during the year at Deering Hills and have confirmed the presence of stringer and disseminated magmatic sulphide within Giles formation gabbros within the project area. The best intersection was 0.31m @ 0.25% Cu from 116.07m down hole in DEEDDH004 at the Valen prospect. This result is encouraging as it supports the hypothesis that we could be close to larger, higher grade nickel-copper sulphide targets. A down-hole electromagnetic ("DHEM") survey has identified a strong off-hole conductor in DEEDDH004 which is yet to be drill tested. This is also encouraging for the adjacent targets at Pallatu (Figure 5).

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, which is currently owned by BHP Billiton.

A regional gravity survey was undertaken at Deering Hills and has helped to prioritise targets for drill testing. The gravity and magnetic surveys together with geochemical vacuum drilling has defined a number of co-incident targets for drill testing. The current exploration methodology has proven to be effective and a new versatile time domain electromagnetic survey ("VTEM") will be undertaken to cover a regional gravity anomaly south of Pallatu (Figure 6).

The regional vacuum drilling program has identified a number of very good geochemical targets for follow-up exploration. The Minbar target (Figure 6) is defined over a strike length of more than 5,000m with peak values of 1,847ppm Ni, 482ppm Cu and 114ppb Pt and Pd in weathered ultramafic at shallow depths. Minbar is co-incident with a strong gravity and magnetic anomaly.

Cutting and sampling diamond drill core at Deering Hills

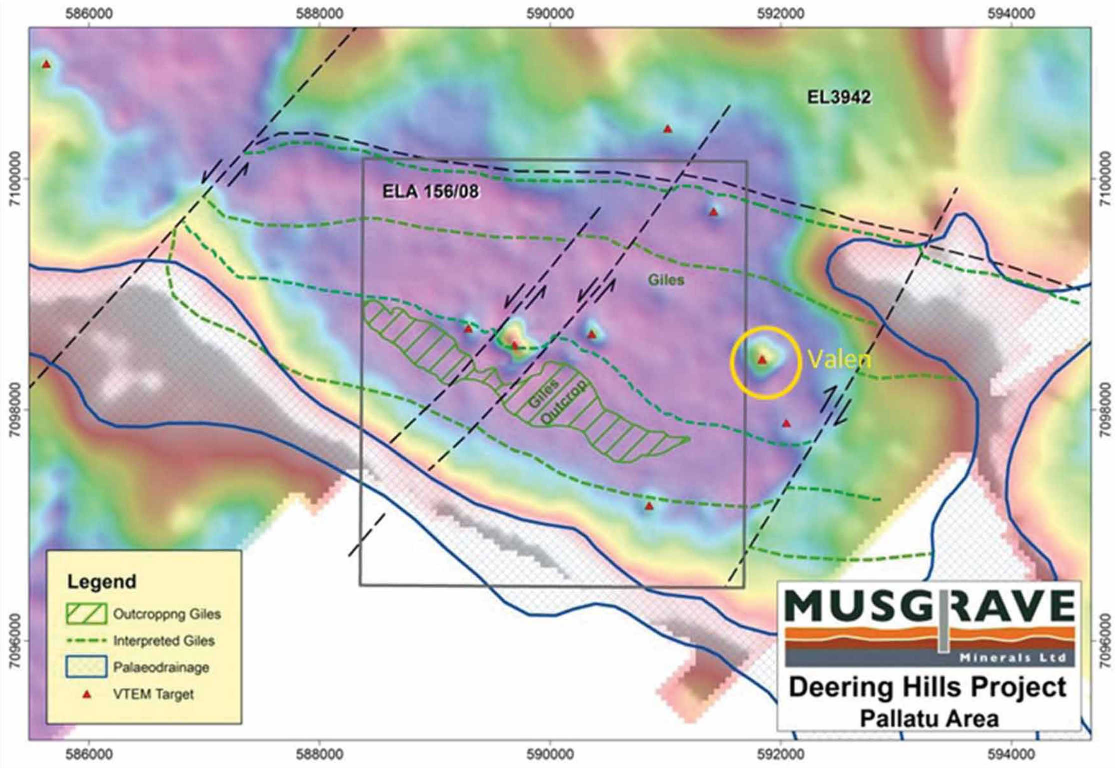

Figure 5: Valen drill target shown on airborne conductivity image within the Deering Hills Project

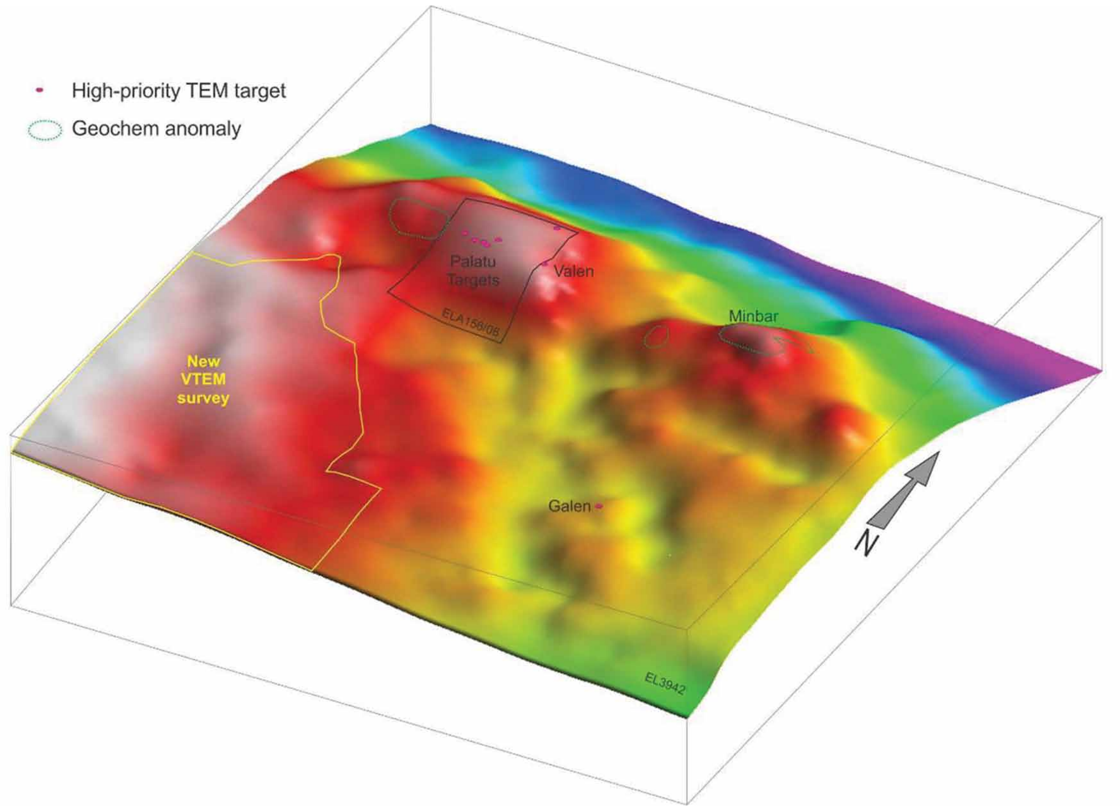

Figure 6: 3D gravity image showing Pallatu EM targets in relation to regional Ni-Cu-PGE geochemical anomalies and new VTEM survey area

Mt Woodroffe Project

EL3940 (100% Musgrave Minerals Ltd)

- High priority 'Lister' target identified

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.

A high priority VTEM target has been highlighted for follow-up ground EM. The target titled 'Lister' (Figure 7) is a co-incident VTEM, magnetic, gravity and geochemical anomaly occurring at the junction of two distinct geological features in a similar setting to many known mineralised magmatic nickel, copper systems.

A ground EM survey is being planned to site drill holes at Lister. An airborne VTEM survey is also planned to commence to the west of the current targets. The new airborne survey is co-incident with a regional gravity anomaly (Rimmer anomaly) and chonolithic magnetic anomaly defined from 3D magnetic imaging (Figure 7).

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 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 sub-crop or outcrop. 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

During the year, Musgrave Minerals was granted four new exploration licences covering a combined area of 7,300km^2 (Figure 8). These licences more than double the Company's current explorable ground holding. Musgrave is the first company to hold an active exploration tenement in this part of the region.

Musgrave signed a Deed of Exploration with the executive Board of Anangu Pitjantjatjara Yankunytjatjara ("APY" – a body corporate established by the APY Lands Rights Act 1981, SA) in relation to these four tenements. They are the first mineral exploration licences granted in APY Lands since 2008, making it a significant milestone for the Company and highlighting the strong relationship Musgrave has already forged with APY.

Musgrave Minerals holds a 100% interest in three of the licences (EL4850, EL4852, and EL4853) and can earn up to a 75% interest in EL4851 (Figure 8).

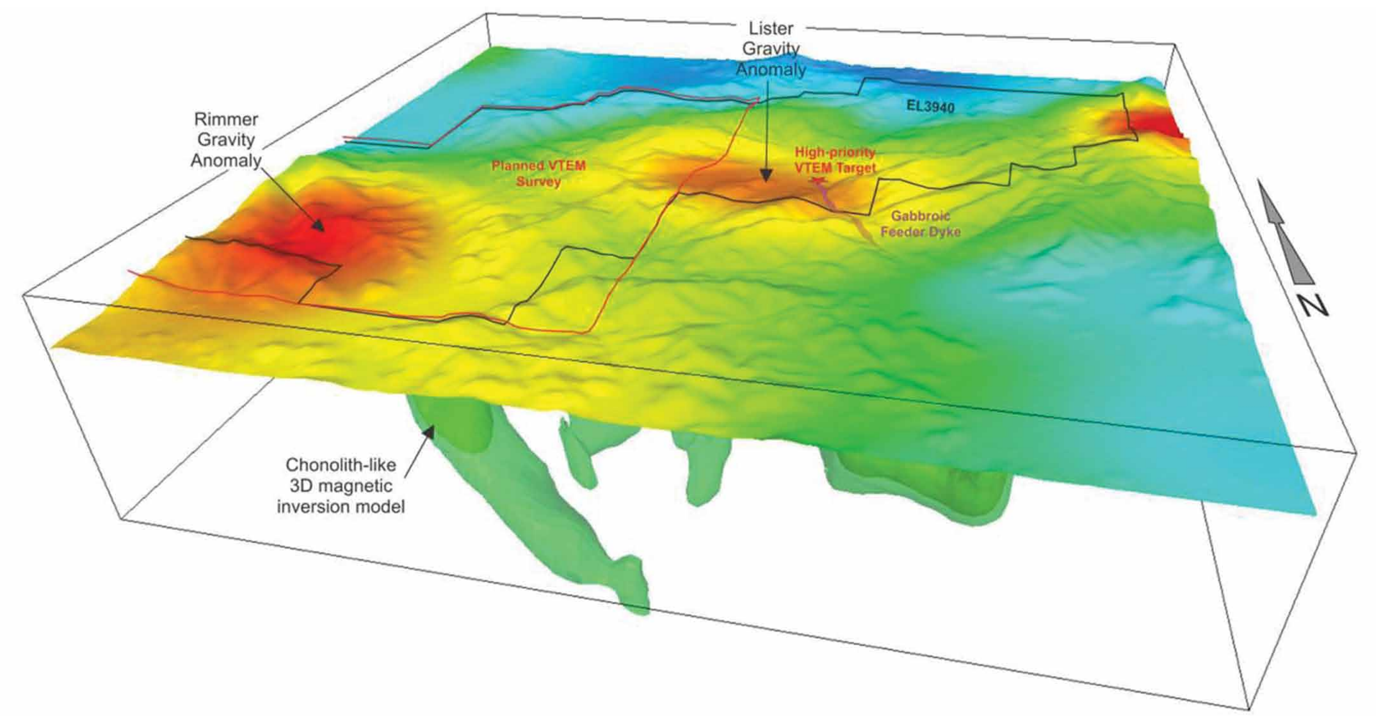

Figure 7: Mt Woodroffe Project showing Lister target, 3D magnetic image, regional gravity response and new VTEM survey area

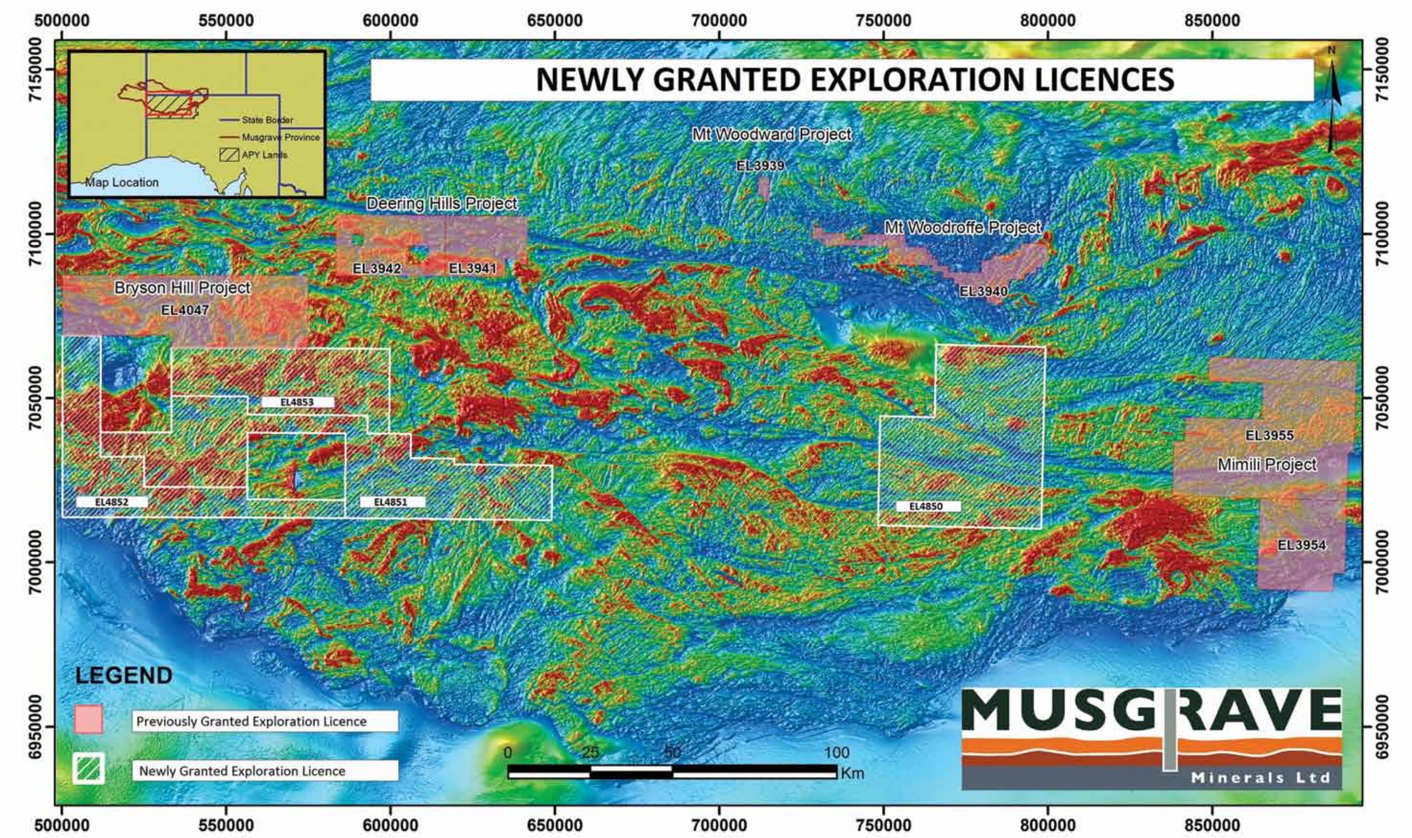

Figure 8: Location of new tenements granted during the year

The new licences cover areas that are considered prospective for magmatic nickel-copper sulphide deposits and are interpreted to be predominantly covered by thin (<20m) sand with minor outcropping and sub-cropping geology. With the newly granted licences, Musgrave Minerals has a total of 11 granted exploration licences and 32 exploration licence applications in the South Australian portion of the Musgrave Province.

Planning and interpretation is underway on these new tenements. Initial heritage surveys are required before field work can commence.

Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Robert Waugh. Mr Waugh is a fellow 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.

Forward Looking Statement

This report has been prepared by Musgrave Minerals Limited (Musgrave Minerals). The information contained in this report may contain professional opinion and is given in good faith. Certain information in this document has been derived from third parties and Musgrave Minerals has no reason to believe that it is not accurate, reliable or complete.

Any forward-looking statements included in this document involve subjective judgment and analysis and are subject to uncertainties, risks and contingencies, many of which are outside the control of, and may be unknown to, Musgrave Minerals. In particular, they speak only as of the date of this document, they assume the success of Musgrave Minerals strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties and risks. Actual future events may vary materially from the forward-looking statements and the assumptions on which the forward-looking statements are based. Recipients of this document (Recipients) are cautioned to not place undue reliance on such forward-looking statements.

Summary of Tenements

Tenement	Project	Locality	Status	Area	MGV Interest
EL4850	Musgrave	SA	Granted	2385 Km^2	100%
EL4851	Musgrave PMC JV	SA	Granted	2360 Km^2	0% (may earn up to 75%)
EL4852	Musgrave	SA	Granted	1342 Km^2	100%
EL4853	Musgrave	SA	Granted	1256 Km^2	100%
EL3939	Musgrave	SA	Granted	22 Km^2	100%
EL3940	Musgrave	SA	Granted	424 Km^2	100%
EL3941	Musgrave	SA	Granted	427 Km^2	100%
EL3942	Musgrave	SA	Granted	565 Km^2	100%
EL3954	Musgrave	SA	Granted	714 Km^2	100%
EL3955	Musgrave	SA	Granted	1906 Km^2	100%
EL4047	Musgrave PMC JV	SA	Granted	1535 Km^2	0% (may earn up to 75%)
EL1996/260	Musgrave	SA	Application	519 Km^2	100%
EL1996/262	Musgrave	SA	Application	463 Km^2	100%
EL1996/336	Musgrave	SA	Application	653 Km^2	100%
EL1996/337	Musgrave	SA	Application	1854 Km^2	100%
EL1996/338	Musgrave	SA	Application	620 Km^2	100%
EL1996/339	Musgrave	SA	Application	1301 Km^2	100%
EL1996/340	Musgrave	SA	Application	2198 Km^2	100%
EL1996/341	Musgrave	SA	Application	1230 Km^2	100%
EL1996/342	Musgrave	SA	Application	2136 Km^2	100%
EL1996/534	Musgrave	SA	Application	1783 Km^2	100%
EL1997/040	Musgrave	SA	Application	1507 Km^2	100%
EL1997/053	Musgrave PMC JV	SA	Application	1013 Km^2	0% (may earn up to 75%)
EL1997/055	Musgrave PMC JV	SA	Application	595 Km^2	0% (may earn up to 75%)
EL1997/056	Musgrave PMC JV	SA	Application	1241 Km^2	0% (may earn up to 75%)
EL1997/057	Musgrave PMC JV	SA	Application	1656 Km^2	0% (may earn up to 75%)
EL1997/058	Musgrave PMC JV	SA	Application	1721 Km^2	0% (may earn up to 75%)
EL1997/059	Musgrave PMC JV	SA	Application	2308 Km^2	0% (may earn up to 75%)
EL1997/060	Musgrave PMC JV	SA	Application	666 Km^2	0% (may earn up to 75%)
EL1997/061	Musgrave PMC JV	SA	Application	2108 Km^2	0% (may earn up to 75%)
EL1997/062	Musgrave PMC JV	SA	Application	1926 Km^2	0% (may earn up to 75%)
EL1997/063	Musgrave PMC JV	SA	Application	1957 Km^2	0% (may earn up to 75%)
EL1997/143	Musgrave	SA	Application	1040 Km^2	100%
EL1997/144	Musgrave	SA	Application	835 Km^2	100%
EL1997/186	Musgrave	SA	Application	1815 Km^2	100%
EL1997/297	Musgrave	SA	Application	2015 Km^2	100%
EL1997/321	Musgrave	SA	Application	624 Km^2	100%
EL1997/468	Musgrave	SA	Application	215 Km^2	100%
EL1997/605	Musgrave	SA	Application	152 Km^2	100%
EL1999/035	Musgrave	SA	Application	692 Km^2	100%
EL2001/031	Musgrave	SA	Application	338 Km^2	100%
EL2008/154	Musgrave	SA	Application	37 Km^2	100%
EL2008/155	Musgrave	SA	Application	34 Km^2	100%
EL2008/156	Musgrave	SA	Application	12 Km^2	100%
EL2008/239	Musgrave	SA	Application	46 Km^2	100%

Directors' Report

Your directors present their report on Musgrave Minerals Ltd (the Company) for the financial year ended 30 June 2012.

Directors

The names of the Directors in office at any time during, or since the end of, the year are:

Graham Ascough, Non-Executive Chairman

Robert Waugh, Managing Director

Kelly Ross, Non-Executive Director

John Percival, Non-Executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Names, Qualifications, Experience and Special Responsibilities

Mr Graham Ascough

BSc, PGeo (Non-Executive Chairman), Director since 26 May 2010

Graham Ascough has more than 22 years of industry exploration experience evaluating mineral projects and resources in Australia and overseas. Mr Ascough is a Non-Executive Director of ASX listed Mithril Resources Limited. 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 Aguia 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. Mr Ascough is a member of the Company's audit committee.

Other directorships:

- Mithril Resources Ltd (Appointed 9 October 2006)
- Aguia Resources Limited (Appointed 19 October 2010)

Mr Robert Waugh

MSc, BSc, FAusIMM, MAIG (Managing Director), Director since 6 March 2011

Robert Waugh has over 24 years of 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-Babel nickel/copper/PGM deposit 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 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 Fellow 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.

Other directorships:

- None

Mrs Kelly Ross

BBus, CPA, ACSA (Non-Executive Director), Director since 26 May 2010

Kelly Ross is a qualified accountant holding a Bachelor of Business (Accounting) and has the designation CPA from the Australian Society of Certified Practicing 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 the chair of the Company's audit committee.

Other directorships:

- Independence Group NL (Appointed 16 September 2002)

Mr John Percival

Non-Executive Director, Director since 26 May 2010

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). Mr Percival is a member of the Company's audit committee.

Other directorships:

Goldsearch Limited (Appointed 11 October 1995)

Company Secretary

Mr Donald Stephens

BAcc, FCA, Company Secretary since 26 May 2010

Donald Stephens is a Chartered Accountant and corporate adviser with over 25 years experience in the accounting industry, including 14 years as a partner of HLB Mann Judd (SA) Pty Ltd, Chartered Accountants. He is a director of Papyrus Australia Ltd, Mithril Resources Ltd and TW Holdings Ltd and is company secretary to Toro Energy Ltd and Petratherm Ltd. He holds other public company secretarial positions and directorships with private companies and provides corporate advisory services to a wide range of organisations.

Review of Operations

Previously provided.

Operating Results

The loss of the Company after providing for income tax amounted to ($276,182)[2011: ($2,251,700)].

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
Graham Ascough	200,000	750,000
Robert Waugh	80,000	5,000,000
John Percival	100,000	500,000
Kelly Ross	50,000	500,000

Dividends Paid or Recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Principal Activities

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

- to carry out exploration of mineral tenements by agreement, 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.

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 is designed to meet stakeholders' 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

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future Developments

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Environmental Regulations

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 work carried out was in South Australia and the entity followed procedures and pursued objectives in line with guidelines published by the South Australian Government. These guidelines are quite detailed and encompass not only the impact on the land and vegetation but covers such subjects as pollution, approvals from relevant parties including land 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 Ltd 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.

Subsequent Events

There were no significant events that occurred after balance date.

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 2011	Net Issued / (Exercised or Expired) During Year	Balance at 30 June 2012
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	08/05/2016	$0.36	500,000	-	500,000
24/01/2012	23/01/2017	$0.25	-	525,000	525,000
			15,500,000	**525,000**	**16,025,000**

Share Options

Shares issued as a result of exercise of options

No shares were issued during the year as a result of an exercise of options.

New options issued

During the financial year, a total of 525,000 unlisted options were issued to employees as an incentive. The options are exercisable at $0.25 and expire 23/01/2017. Refer to note 14 of the financial statements in relation to these options.

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 $13,452. 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 wilful 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.

Remuneration Report - Audited

This report outlines the remuneration arrangements in place for Directors and executives 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 $171,675. 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 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: Director remuneration for the year ended 30 June 2012 and 30 June 2011

	Primary Benefits	Post Employment	Share-based Payments	Totals
	Salary & Fees	**Superannuation**	**Options**	
Graham Ascough**				
2012	65,100	-	-	65,100
2011	10,900	-	139,500	150,400
Robert Waugh				
2012	266,055	23,945	-	290,000
2011	84,829	7,635	902,500	994,964
John Percival **				
2012	45,000	4,050	-	49,050
2011	7,500	675	93,000	101,175
Kelly Ross **				
2012	45,000	4,050	-	49,050
2011	7,500	675	93,000	101,175
Total				
2012	**421,155**	**32,045**	**-**	**453,200**
2011	**110,729**	**8,985**	**1,228,000**	**1,347,714**

Table 2: Remuneration of key management personnel for the year ended 30 June 2012 and 30 June 2011

	Primary Benefits	Post Employment	Share-based Payments	Totals
	Salary & Fees	**Superannuation**	**Options**	
Justin Gum				
2012	139,000	24,500	-	163,500
2011	99,533	8,958	98,500	206,991
Donald Stephens*&**				
2012	-	-	-	-
2011	-	-	93,000	93,000
Total				
2012	**139,000**	**24,500**	**-**	**163,500**
2011	**99,533**	**8,958**	**191,500**	**299,991**

No options were issued to any Key Management Personnel as part of remuneration for the year ended 30 June 2012.

No portion of remuneration paid or payable to any Key Management Personnel employed by the Company was performance based in 2011 or 2012.

**HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation and secretarial services provided during the year amounting to $131,671 (2011: $68,300). Donald Stephens, the Company Secretary, is a consultant with HLB Mann Judd (SA) Pty Ltd.*

*** Graham Ascough and Donald Stephens are Non-Executive Directors 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 benficial 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.*

Use of Remuneration Consultants

During the financial year, there were no remuneration recommendations made in relation to key management personnel for the Company by any remuneration consultants.

Voting and Comments Made at the Company's 2011 Annual General Meeting

Musgrave Ltd received more than 78% of "yes" votes on its remuneration report for the 2011 financial year by proxy. The Company did not receive any specific feedback at the AGM on its remuneration report.

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 were as follows:

	Directors' Meetings		Audit Committee	
Director	Eligible	Attended	Eligible	Attended
Graham Ascough	8	8	2	2
Robert Waugh	8	8	2	2
John Percival	8	8	1	1
Kelly Ross	8	8	2	2

Members acting on the audit committee of the board are:

- Kelly Ross (Chairperson)
- Graham Ascough
- Robert Waugh
- John Percival

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.

Auditor Independence and Non-Audit Services

Grant Thornton Audit Pty Ltd, in its capacity as auditor for Musgrave Minerals Ltd, has not provided any non-audit services throughout the reporting period. The auditor's independence declaration for the year ended 30 June 2012 as required under section 307C of the Corporations Act 2001 has been received and can be found on page 25.

Signed in accordance with a resolution of the Directors.

Mr Graham Ascough

Chairman

25th September 2012

Corporate Governance Statement

Introduction

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

Recommendation 1.1 - Functions reserved to the Board and delegated to senior executives

The Board is accountable to Shareholders for the performance of the Company and has overall responsibility for its operations. Day to day management of the Company's affairs, and the implementation of the corporate strategy and policy initiatives, is 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 Group 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.

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 statement the Board consists of the following directors

Mr Graham Ascough, Chair

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 Group at the present time. The names of directors including details of their qualification and experience are set out in the Directors' Report of this Financial Report.

Independence

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.

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.

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.

Recommendation 2.3 - The roles of chair and Managing Director should be separated

The roles of the Chairman and the Managing Director are not be exercised by the same individual. The Company has therefore complied with Recommendation 2.3.

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.

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.

Recommendation 2.6 - Additional information concerning the Board and Directors

The Company has included the disclosures required by Recommendation 2.6 in this annual report. 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. A performance evaluation for the board, its committees and directors has not taken place during the reporting period.

Principle 3 - Promote ethical and responsible decision making

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:

1. 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
2. 24 hours after the following events:

(a) Any major announcements;

(b) The release of the Company's quarterly, half yearly and annual financial results to the ASX; and

(c) 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.

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 maintains 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.

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's Code of Ethics and Conduct states that the Company has a proactive stance on diversity and assesses all staff and Board appointments on their merits with consideration to diversity a driver in decision making. The Company however 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.

Recommendation 3.4 and 3.5 - Reporting in Annual Report

At the date of this Annual Report, the Company employs 7 staff members (excluding the Non-Executive Directors), of which 2 are female. The Board of Directors consists of 3 male directors and 1 female director. The Company has disclosed the information suggested in Recommendation 3.5 in this Annual Report.

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.

Recommendation 4.1 - Audit Committee

The Company has established an Audit Committee.

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. The details are as follows:

- the Audit Committee does not consist only of non-executive Directors; there are three 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.

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.

Recommendation 4.4 - Additional Information concerning the Audit Committee

The disclosures required by Recommendation 4.4 are contained within this annual report.

In accordance with the guide to reporting on Principle 4, the Company's Audit Committee Charter is available on the Company's website. The Board is responsible for the selection and appointment of the external auditor and the Company's auditor Grant Thornton has complied with the Corporations Act provisions requiring audit and review partner rotation every 5 years.

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.

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.

Recommendation 5.2 - Continuous Disclosure Policy

The disclosures required by Recommendation 5.2 are included in this annual report.

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.

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 required 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.

Recommendation 6.2 - Availability of Shareholder Communications Policy

The disclosures required by Recommendation 6.2 have been icluded in this annual report.

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.

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 publicly disclosed a a risk management policy for the oversight and management of material business risks in accordance with recommendations 7.1 and 7.4 of the Corporate Governance Council.

Recommendation 7.2 - Risk Management and Internal Control System

The Company has developed a risk management framework which is supported by the Board of Directors and management.

The policy provides a framework for identifying, assessing, monitoring and managing risks of the Company.

The Board requires management to report on the policy as to whether those risks are being managed effectively.

Recommendation 7.3 - Statement from the Managing Director and Company Secretary

The Managing Director and the Company Secretary have stated 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 is a confirmation that the Company's risk management and internal controls are operating efficiently and effectively.

Recommendation 7.4 - Additional Information concerning Risk Management

The Company has included the disclosures required by Recommendation 7.4 in this annual report.

The Company has publicly disclosed a risk management policy outlining the oversight and management of material business risks in accordance with recommendation 7.1 and 7.4 of the Corporate Governance Council.

Principle 8 - Remunerate fairly and responsibly

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.

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.

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.

Recommendation 8.4 - Additional Information Concerning Remuneration

The Company will include the disclosures required by Recommendation 8.4 in its future annual reports.

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MUSGRAVE MINERALS LTD

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Musgrave Minerals Ltd for the year ended 30 June 2012, 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

J L Humphrey
Director – Audit & Assurance Services

Adelaide, 25 September 2012

Statement of Comprehensive Income

For the year ended 30 June 2012

		2012	2011
	Note	**$**	**$**
Other income	6 (a)	926,309	227,039
Employee benefits expense	6 (d)	(509,790)	(1,843,093)
Depreciation expense	6 (b)	(111,405)	(13,023)
Finance costs	6 (c)	(11,134)	(903)
Other expenses	6 (e)	(565,632)	(311,495)
Loss before income tax		**(271,652)**	**(1,941,475)**
Income tax expense	7	(4,530)	(310,225)
Loss from continuing operations		**(276,182)**	**(2,251,700)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(276,182)**	**(2,251,700)**
Earnings per share:		**Cents**	**Cents**
Basic earnings per share	8	(0.23)	(7.56)
Diluted earnings per share	8	(0.23)	(7.56)

Statement of Financial Position

As at 30 June 2012

		2012	2011
	Note	$	$
Current assets			
Cash and cash equivalents	9	13,570,860	17,781,987
Trade and other receivables	10	133,257	194,824
Other assets	11	182,029	178,275
Total current assets		**13,886,146**	**18,155,086**
Non-current assets			
Property, plant and equipment	12	224,276	212,767
Exploration and evaluation assets	13	13,538,949	9,597,272
Total non-current assets		**13,763,225**	**9,810,039**
Total assets		**27,649,371**	**27,965,125**
Current liabilities			
Trade and other payables	15	313,432	465,496
Borrowings	16	64,587	7,925
Provisions	17	87,060	22,830
Total current liabilities		**465,079**	**496,251**
Non-current liabilities			
Borrowings	16	50,854	89,155
Provisions	17	4,182	1,196
Total Non-current liabilities		**55,036**	**90,351**
Total liabilities		**520,115**	**586,602**
Net assets		**27,129,256**	**27,378,523**
Equity			
Issued capital	18	26,718,899	26,729,469
Reserves	19	2,944,985	2,907,500
Retained losses	20	(2,534,628)	(2,258,446)
Total equity		**27,129,256**	**27,378,523**

Statement of Changes in Equity

For the year ended 30 June 2012

	Note	Issued capital	Retained losses	Share option reserve	Total
Balance at 1 July 2010		**197,699**	**(6,746)**		**190,953**
Total comprehensive loss		-	(2,251,700)	-	(2,251,700)
Share based payments	14	-	-	1,419,500	1,419,500
Fair value of options issued for consideration for tenements acquired		-	-	1,488,000	1,488,000
Seed capital issued to vendors	18	1,300,000	-	-	1,300,000
Shares issued pursuant to prospectus	18	20,000,000	-	-	20,000,000
Shares issued as consideration for tenements acquired	18	6,000,000	-	-	6,000,000
Transaction costs (net of tax)	18	(768,230)	-	-	(768,230)
Balance as at 30 June 2011		**26,729,469**	**(2,258,446)**	**2,907,500**	**27,378,523**
Balance at 1 July 2011		**26,729,469**	**(2,258,446)**	**2,907,500**	**27,378,523**
Total comprehensive loss		-	(276,182)	-	(276,182)
Share based payments	14	-	-	37,485	37,485
Transaction costs (net of tax)	18	(10,570)	-	-	(10,570)
Balance as at 30 June 2012		**26,718,899**	**(2,534,628)**	**2,944,985**	**27,129,256**

Statement of Cash Flows

For the year ended 30 June 2012

		2012	2011
	Note	**$**	**$**
Cash flows from operating activities			
Payments to suppliers and employees		(1,069,074)	(847,300)
Finance costs		(10,564)	-
Interest received		877,147	227,039
Net cash used in operating activities	**9**	**(202,491)**	**(620,261)**
Cash flows from investing activities			
Purchase of plant and equipment		(152,240)	(221,246)
Payments for exploration activities		(3,860,767)	(1,895,131)
Net cash used in investing activities		**(4,013,007)**	**(2,116,377)**
Cash flows from financing activities			
Proceeds from issue of shares		-	21,300,000
Transaction costs on issue of shares		(14,012)	(1,078,455)
Proceeds from borrowings		65,658	-
Repayment of borrowings		(47,275)	97,080
Net cash provided by financing activities		**4,371**	**20,318,625**
Net(decrease)/increase in cash and cash equivalents		(4,211,127)	17,781,987
Cash at the beginning of the year		17,781,987	200,000
Cash at the end of the year		**13,570,860**	**17,781,987**

Notes to the Financial Statements

For the year ended 30 June 2012

1 Nature of operations

Musgrave Minerals Ltd principal activities are to carry out exploration of mineral tenements, 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.

2 General information and statement of compliance

The general purpose financial statements of the Company have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Musgrave Minerals Ltd is a for-profit entity for the purpose of preparing the financial statements.

Musgrave Minerals Ltd is a public company incorporated and domiciled in Australia and listed on the ASX (ASX Code: MGV).

The financial statements for the year ended 30 June 2012 (including comparatives) were approved and authorised for issue by the board of directors on 25 September 2012.

3 Changes in accounting policies

Adoption of AASBs and improvements to AASBs 2011 - AASB 1054 and AASB 2011-1

The AASB has issued AASB 1054 Australian Additional Disclosures and 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project, and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional disclosures considered necessary. These changes also simplify some current disclosures for Australian entities and remove others.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

AASB 9 Financial Instruments (effective from 1 January 2013)

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

AASB 11 Joint Arrangements (AASB 11)

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. It introduces two accounting categories (joint operations and joint ventures) whose applicability is determined based on the substance of the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method for joint ventures, which is currently used for investments in associates.

Consequential amendments to AASB 127 Separate Financial Statements (AASB 127) and AASB 128 Investments in Associates and Joint Ventures (AASB 128)

AASB 127 Consolidated and Separate Financial Statements was amended to AASB 127 Separate Financial Statements which now deals only with separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

AASB 13 Fair Value Measurement (AASB 13)

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Company's management have yet to assess the impact of this new standard.

AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income (AASB 101 Amendments)

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and

(b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Company's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of KMP compensation), and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods beginning on or after 1 July 2013. The Company's management have yet to assess the impact of these amendments.

AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 112 Inventories if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met (as an addition to, or enhancement of, an existing asset). The interpretation is applicable for annual periods beginning on or after 1 January 2013. The interpretation will have no impact on the Company as it has no mining activities.

4 Summary of accounting policies

(a) Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where:

(a) a legally enforceable right of set-off exists; and

(b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line and dminishing value basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful life for each class of depreciable assets are:

Class of fixed asset	Useful life
Plant and Equipment	2-10 years
Motor Vehicles	6-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(d) Exploration and Development Expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered 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.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided over the life of the project 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 local laws and regulations and clauses of the 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 on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to the Company, are classified as finance leases. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(f) Impairment testing of non-current assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

(g) Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the **effective interest method**.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The **effective interest method** is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(ii) Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include borrowings and trade and other payables.

Financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(h) Interests in 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.

The Company has entered into a number of Joint Ventures with various parties to explore on certain tenements that the Company has a beneficial interest in.

(i) Equity-settled compensation

The Company operates an employee share option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(j) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 6 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(l) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue. Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method.

All revenue is stated net of the amount of goods and services tax (GST).

(m) Borrowing Costs

Borrowing 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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(o) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(p) Contributed equity

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.

(q) Earnings per share

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

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Comparative Figures

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

(s) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates

(i) Impairment

The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(ii) Exploration and evaluation expenditure

The Company capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at $13,538,949.

5 Operating Segments

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.

6 Revenue and expenses

	2012	2011
	$	$
(a) Other income		
Fuel tax credits	11,345	-
Interest received	914,964	227,039
	926,309	**227,039**
(b) Depreciation of non-current assets		
Plant and equipment	81,411	11,212
Motor vehicles	29,994	1,811
	111,405	**13,023**

	2012	2011
(c) Finance expenses		
Finance costs	592	-
Interest applicable to hire-purchase	10,542	903
	11,134	**903**
(d) Employees benefits expense		
Wages, salaries, directors fees and other remuneration expenses	1,173,740	629,402
Superannuation expense	101,473	19,982
Transfer to/(from) annual leave provision	64,230	22,830
Transfer to/(from) long service leave provision	2,986	1,196
Share-based payments expense	37,485	1,385,000
Transfer to capitalised tenements	(870,124)	(215,317)
	509,790	**1,843,093**
(e) Other expenses		
Secretarial, professional and consultancy	88,776	105,258
Occupancy costs	100,722	35,616
Share register maintenance	34,495	9,986
Insurance costs	33,766	11,935
Promotion, advertising and sponsorship	25,301	28,611
ASIC and securities exchange fees	33,221	6,959
Travel expenses	38,004	27,939
Audit fees	13,250	14,000
Computer expenses	39,438	17,213
Recruitment costs	31,610	-
Employer related on costs	34,563	-
Other expenses	92,486	53,978
	565,632	**311,495**

7 Income tax expense

The major components of income tax expense are:

	2012	2011
	$	$
Current income tax charge/ (benefit) Income tax expense/ (benefit) reported in the income statement	4,530	4,530
	4,530	**4,530**

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:

	2012	2011
	$	$
Accounting profit before income tax	(271,652)	(1,941,475)
At the Company's statutory income tax rate of 30% (2011: 30%)	(81,496)	(582,443)
Immediate write off of capital expenditure	(1,182,503)	(860,873)
Expenditure not allowable for income tax purposes	11,830	415,624
Other deductible items	(64,905)	(64,905)
Tax losses not recognised due to not meeting recognition criteria	1,317,074	1,092,597
Tax portion of share issue costs	4,530	310,225
	4,530	**310,225**

The Company has tax losses arising in Australia of $7,298,847 (2011: $2,946,856) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

8 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2012	2011
	$	$
Net loss attributable to ordinary equity holders of the parent entity	(276,182)	(2,251,700)

	2012	2011
Weighted average number of ordinary shares for basic earnings per share	121,000,000	29,781,868
Effect of dilution		
Share options	N/A	N/A
Weighted average number of ordinary shares adjusted for the effect of dilution	121,000,000	29,781,868

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

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 taking into account.

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.

9 Cash and cash equivalents

	2012	2011
	$	$
Cash at bank and in hand	460,860	651,987
Short-term deposits	13,110,000	17,130,000
	13,570,860	**17,781,987**

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

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

	2012	2011
	$	$
Reconciliation to Statement of Cash Flows		
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand	460,860	651,987
Short-term deposits	13,110,000	17,130,000
	13,570,860	**17,781,987**
Reconciliation of net loss after tax to net cash flows from operations		
Net profit/(loss)	(276,182)	(2,251,700)
Adjustments for non-cash items:		
Depreciation	111,405	13,023
Share based payments	37,485	1,385,000
Non cash income tax expense	4,530	310,225
Changes in assets and liabilities		
(Increase) in trade and other receivables	61,567	190,477
(Increase)/decrease in prepayments	32,730	(28,969)
(Increase)/decrease in interest receivable	(28,962)	149,306
(Decrease) in trade and other payables	(212,280)	(411,649)
Increase in employee entitlements	67,216	24,026
Net cash from operating activities	**(202,491)**	**(620,261)**

10 Trade and other receivables

	2012	2011
	$	$
Goods and services tax receivable	121,912	194,824
Fuel tax credits receivable	11,345	-
	133,257	**194,824**

Information regarding the credit risk of current receivables is set out in note 24.

11 Other current assets

	2012	2011
	$	$
Prepayments	3,761	28,969
Accrued interest	178,268	149,306
	182,029	**178,275**

12 Property, plant and equipment

	2012	2011
	$	$
Plant and equipment cost		
Opening balance	128,761	4,612
Additions	54,478	124,149
Disposals	(2,083)	-
	181,156	**128,761**
Accumulated depreciation		
Opening balance	11,280	68
Depreciation	81,411	11,212
Disposals	(1,071)	-
	91,620	**11,280**

12 Property, plant and equipment (continued)

	2012	2011
	$	$
Net book value of plant and equipment	**89,536**	**117,481**
Motor vehicles cost		
Opening balance	97,097	-
Additions	69,448	97,097
	166,545	**97,097**
Accumulated depreciation		
Opening balance	1,811	-
Depreciation	29,994	1,811
	31,805	**1,811**
Net book value of motor vehicles	**134,740**	**95,286**
Total net book value of property, plant and equipment	**224,276**	**212,767**

The useful life of the assets was estimated as follows both for 2011 and 2012:

Plant and equipment 2 to 10 years

Motor Vehicles 6 - 8 years

The carrying value of plant and equipment held under hire purchase contracts at 30 June 2012 is $159,726 (2011: $97,096). Additions of plant and equipment held under hire purchase contracts made during the year totalled $62,630 (2011: $97,096).

13 Exploration and evaluation assets

	2012	2011
	$	$
Exploration, evaluation and development costs carried forward in respect of mining areas of interest		
Exploration and evaluation phases	13,538,949	9,597,272
	13,538,949	**9,597,272**

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.

	Exploration	Total
	$	$
Capitalised tenement expenditure movement reconciliation		
Balance at beginning of year	9,597,272	9,597,272
Additions through expenditure capitalised	3,941,677	3,941,677
Balance at end of year	**13,538,949**	**13,538,949**

Exploration and Evaluation expenditure has been 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 recovered reserves.

14 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 a Group 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 1 month 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.

	2012	2012	2011	2011
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	15,500,000	0.33	-	-
Granted during the year	525,000	0.25	15,500,000	0.33
Outstanding at the end of the year	**16,025,000**	**0.33**	**15,500,000**	**0.33**
Exercisable at the end of the year	**1,025,000**	**0.30**	**500,000**	**0.36**

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 6 (d). The following table illustrates the number (No.) and weighted average exercise prices (WAEP) and movements in share options under the Company's Employee Share Option Plan issued during the year:

The outstanding balance as at 30 June 2012 is represented by:

- 7,750,000 options exercisable at any time until 20 August 2015 with an exercise price of $0.25.
- 4,750,000 options exercisable at any time until 17 February 2016 with an exercise price of $0.36.
- 2,500,000 options exercisable at any time until 17 February 2016 with an exercise price of $0.50.
- 500,000 options exercisable at any time until 8 May 2016 with an exercise price of $0.36.
- 525,000 options exercisable at any time until 23 January 2017 with an exercise price of $0.25.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2012 is 3.44 years (2011: 4.40 years).

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

The weighted average fair value of options granted during the year was $0.071 (2011: $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 2012 and 30 June 2011:

	2011	2012
Historical volatility (%)	100%-135%	114%
Risk free interest rate	5.00%	3.43%
Expected life of options (years)	5	5

15 Trade and other payables

	2012	2011
	$	$
Trade payables (i)	43,606	239,838
Other payables (ii)	269,826	225,658
	313,432	**465,496**

i. Trade payables are non-interest bearing and are normally settled on 30-day terms.

ii. Other payables are non-interest bearing and are normally settled within 30 - 90 days. Information regarding the credit risk of current payables is set out in note 24.

16 Borrowings

	2012	2011
	$	$
Current		
Obligations hire purchase contracts	64,587	7,925
	64,587	**7,925**
Non-current		
Obligations hire purchase contracts	50,854	89,155
	50,854	**89,155**

17 Provisions

	2012	2011
	$	$
Current		
Annual leave provision:		
Balance at 1 July	22,830	-
Net increase/(decrease in provision)	64,230	22,830
Closing Balance 30 June	**87,060**	**22,830**
Non-current		
Long service leave:		
Balance at 1 July	1,196	-
Net increase/(decrease in provision)	2,986	1,196
Closing Balance 30 June	**4,182**	**1,196**

18 Issued capital

	2012	2011
	$	$
121,000,000 fully paid ordinary shares (2011: 121,000,000)	26,718,899	26,729,469
	26,718,899	**26,729,469**

	2012		2011	
Ordinary shares	**Number**	**$**	**Number**	**$**
Balance at beginning of financial year	121,000,000	26,475,469	4,000,000	197,699
Seed capital issued 18 November 2010	-	-	10,178,000	1,017,800
Seed capital issued 7 December 2010	-	-	2,822,000	28,200
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)	-	(10,570)	-	(768,230)
Balance at end of financial year	**121,000,000**	**26,464,899**	**121,000,000**	**26,475,469**

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital nor par value in respect of its issued shares.

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

	2012	2011
	$	**$**
Share option reserve (a)	2,944,985	2,907,500
	2,944,985	**2,907,500**
(a) Share option reserve		
Balance at beginning of financial year	2,907,500	-
Issue of options to Directors and Company Secretary (2,250,000 options)	-	418,500
Issue of options to Managing Director (2,250,000 options)	-	465,000
Issue of options to Managing Director (2,250,000 options)	-	437,500
Issue of options to tenement vendors (7,750,000 options)	-	1,488,000
Issue of options under ESOP (2012: 525,000 options, 2011: 500,000 options)	37,485	98,500
	2,944,985	**2,907,500**

20 Retained earnings

	2012	2011
	$	**$**
Balance at beginning of financial year	(2,258,446)	(6,746)
Net loss attributable to members of the parent entity	(276,182)	(2,251,700)
Balance at end of the financial year	**(2,534,628)**	**(2,258,446)**

21 Commitments for expenditure

	2012	2011
	$	$
Operating leases		
Not longer than 1 year	97,254	96,598
Longer than 1 year and not longer than 5 years	267,448	169,046
	364,702	**265,644**
Hire purchase commitments		
Not longer than 1 year	72,219	86,488
Longer than 1 year and not longer than 5 years	53,467	43,456
	125,686	**129,944**
Less: future finance charges	(10,245)	(32,864)
	115,441	**97,080**

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 $1,835,000 (2011: $1,200,000) 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.

22 Contingent liabilities and contingent assets

At the date of signing this report, the Company is not aware of any Contingent Asset or Liability that should be disclosed in accordance with AASB 137. It is however noted that the Company has various bank guarantees totalling $110,000 at 30 June 2012 (2011: $50,000) which act as collateral over the lease of offices at 19 Richardson St, West Perth and the Company's Visa business credit cards.

23 Auditor's remuneration

	2012	2011
	$	$
Audit or review of the financial report	13,250	14,000
Other non-audit services +	-	6,250
	13,250	**20,250**

+ The auditor prepared the Investigating Accountants' Report for the Company's prospectus dated 8 March 2011.

24 Financial risk management

Capital risk management

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

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 18, 19, 20 respectively.

Proceeds from share issues are used to maintain and expand the Groups exploration activities and fund operating costs.

	2012	2011
	$	$
Financial assets		
Cash and cash equivalents	13,570,860	17,781,987
Trade receivables	133,257	194,824
Financial liabilities		
Payables	313,432	465,496
Borrowings	115,441	97,080

Credit risk management

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

The Group does not have any significant credit risk exposure to any single counterparty or any group 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 Group's maximum exposure to credit risk.

Interest rate risk

The tables listed below detail the Group's interest bearing assets, consisting solely of cash on hand and on short term deposit (with all maturities less than one year in duration).

	Weighted average effective interest rate %	Less than one year $
2012		
Fixed interest rate	5.54	13,110,000
Variable interest rate	-	460,860

	Weighted average effective interest rate %	Less than one year $
2011		
Fixed interest rate	6.10	17,130,000
Variable interest rate	-	651,987

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

- net loss would increase or decrease by $82,578 which is mainly attributable to the Group's exposure to interest rates on its variable bank deposits.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group 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. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than one year $	Longer than 1 year and not longer than 5 years $
2012			
Interest bearing	8.66	64,587	50,854
Non-interest bearing	-	22,830	-

	Weighted average effective interest rate %	Less than one year $	Longer than 1 year and not longer than 5 years $
2011			
Interest bearing	8.50	7,925	89,155
Non-interest bearing	-	465,496	-

25 Related party disclosure and key management personnel remuneration

The following individuals are classified as key management personnel in accordance with AASB 124 'Related Party Disclosures':

Graham Ascough, Non-Executive Chairman

Robert Waugh, Managing Director

Kelly Ross, Non-Executive Director

John Percival, Non-Executive Director

Justin Gum, Exploration Manager

	2012	2011
	$	$
Short-term employee benefits	560,155	210,262
Post employment benefits	56,545	17,943
Share-based payments	-	1,386,500
	616,700	**1,614,705**

(a). Option holdings of Key Management Personnel

30 June 2012	Balance at begining of year	Granted as remuner-ation	Exercised	Net change other	Balance at end of year	Expiry Date	First Exercise Date	Last Exercise Date
Graham Ascough	750,000	-	-	-	750,000	17/02/16	28/04/13	17/02/16
Robert Waugh	2,500,000	-	-	-	2,500,000	17/02/16	28/04/13	17/02/16
Robert Waugh	2,500,000	-	-	-	2,500,000	17/02/16	28/04/13	17/02/16
John Percival	500,000	-	-	-	500,000	17/02/16	28/04/13	17/02/16
Kelly Ross	500,000	-	-	-	500,000	17/02/16	28/04/13	17/02/16
Justin Gum	500,000	-	-	-	500,000	08/05/16	09/05/11	08/05/16
Donald Stephens	500,000	-	-	-	500,000	17/02/16	28/04/13	17/02/16

30 June 2011	Balance at begining of year	Granted as remuner-ation	Exercised	Net change other	Balance at end of year	Expiry Date	First Exercise Date	Last Exercise Date
Graham Ascough	-	750,000	-	-	750,000	17/02/16	28/04/13	17/02/16
Robert Waugh	-	2,500,000	-	-	2,500,000	17/02/16	28/04/13	17/02/16
Robert Waugh	-	2,500,000	-	-	2,500,000	17/02/16	28/04/13	17/02/16
John Percival	-	500,000	-	-	500,000	17/02/16	28/04/13	17/02/16
Kelly Ross	-	500,000	-	-	500,000	17/02/16	28/04/13	17/02/16
Justin Gum	-	500,000	-	-	500,000	08/05/16	09/05/11	08/05/16
Donald Stephens	-	500,000	-	-	500,000	17/02/16	28/04/13	17/02/16

(b). Shareholdings of Key Management Personnel

30 June 2012	Balance at 1 July 11	On Exercise of Options	Net change other	Balance 30 June 2012
Graham Ascough	200,000	-	-	200,000
Robert Waugh	80,000	-	-	80,000
John Percival	100,000	-	-	100,000
Kelly Ross	50,000	-	-	50,000
Justin Gum	40,000	-	-	40,000
Donald Stephens	-	-	-	-

30 June 2011	Balance at 1 July 10	On Exercise of Options	Net change other	Balance 30 June 2011
Graham Ascough	-	-	200,000	200,000
Robert Waugh	-	-	80,000	80,000
John Percival	-	-	100,000	100,000
Kelly Ross	-	-	50,000	50,000
Justin Gum	-	-	40,000	40,000
Donald Stephens	-	-	-	-

26 Subsequent events

The directors are not aware of any significant events that have ocurred since the end of the reporting period that should be disclosed.

Directors' Declaration

The Directors of the company declare that:

1. the financial statements and notes, as set out on pages 13 to 39, are in accordance with the Corporations Act 2001 and:

    a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company;

2. the Managing Director and Company Secretary have each declared that:

    a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;

    b. the financial statements and notes for the financial year comply with Accounting Standards; and

    c. the financial statements and notes for the financial year give a true and fair view; and

3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Mr Graham Ascough

Chairman

25 September 2012

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MUSGRAVE MINERALS LTD

Report on the financial report

We have audited the accompanying financial report of Musgrave Minerals Ltd (the **"**Company**"), which comprises the** statement of financial position as at 30 June 2012, 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 in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determines is necessary to enable the preparation of the financial report that gives a true and fair view and is 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, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the aud**itor'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 of the** financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Ltd 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 2012 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 for the year ended 30 June 2012. 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 Ltd for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Director – Audit & Assurance Services

Adelaide, 25 September 2012

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 30 September 2012.

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 1,185 individual shareholders. There are 26,500,000 restricted and unquoted ordinary shares in escrow until 28 April 2013.

All issued ordinary shares carry one vote per share.

Options

- 16,025,000 unlisted options are held by 14 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 31.20% 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	5	-
1,001 - 5,000	43	-
5,000 – 10,000	271	-
10,001 - 100,000	730	2
100,001 and over	136	12
	1,185	**14**
Holding less than a marketable parcel	55	-

Substantial shareholders

Ordinary shareholders	Number	Fully paid 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%

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%
JP Morgan Nominees Australia Limited	8,088,000	6.68%
Barrick (Australia Pacific) Limited	6,000,000	4.96%
Integra Mining Limited	5,516,129	4.56%
JP Morgan Nominees Australia Limited <Cash Income A/C>	5,293,554	4.37%
Argonaut Resources NL	2,500,000	2.07%
Mr William Douglas Goodfellow	1,540,000	1.27%
King Town Holdings Pty Ltd <Employee Super Fund A/C>	1,065,000	0.88%
Forty Traders Limited	1,000,000	0.83%
Hipete Pty Limited	1,000,000	0.83%
Premar Capital Nominees Pty Ltd	1,000,000	0.83%
Finico Pty Ltd	800,000	0.66%
Octavian Services Pty Ltd	800,000	0.66%
Yyarandi Investments Pty Ltd <Griffith Family No 2 A/C>	800,000	0.66%
Merrill Lynch (Australia) Nominees Pty Limited	747,604	0.62%
Kavalex Pty Limited	666,341	0.55%
Vector Nominees Pty Limited <The Vector Super Fund A/C>	600,000	0.50%
Purser Family Super Pty Ltd	579,018	0.48%
	64,979,517	**53.70%**

Musgrave Minerals Ltd

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