ANNUAL REPORT **2014**

MUSGRAVE Minerals Ltd

ABN 12 143 890 671

Exploration for base and precious metals in the Musgrave and Southern Gawler Cratons regions of South Australia and the Fraser Range region of Western Australia

ASX: **MGV**

Musgrave Minerals Ltd is a dedicated exploration company focused on base metals, silver and gold in the highly prospective Musgrave Province and Gawler Craton regions of South Australia. The Company also has a new project in the very prospective Fraser Range region of Western Australia.

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

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

ASX Code: MGV

Issued Shares: 121M

Cash Balance: $6.1M (as of 30 June 2014)

ABN: 12 143 890 671

Top shareholders

Mithril Resources Ltd
Independence Group NL
Barrick (Australia Pacific) Ltd
Silver Lake Resources Ltd
Goldsearch 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
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Dulwich, South Australia, 5065

Principal Place of Business

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Share Registry

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide, South Australia, 5000

Auditor

Grant Thornton Audit Pty Ltd
Chartered Accountants
Level 1, 67 Greenhill Road
Wayville, South Australia, 5034

Legal Advisors

O'Loughlins Lawyers
Level 2, 99 Frome Street
Adelaide, South Australia, 5000

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Chairman's Letter

Dear Fellow Shareholder,

It is my pleasure to present Musgrave Minerals Ltd's Annual Report for the Financial Year ending 30 June 2014. During the year, the Company has continued to actively explore its portfolio of projects in the Musgrave Province and Gawler Craton regions of South Australia, and has achieved some pleasing results.

The past year has again proven quite difficult for junior resource companies such as ours but with a strong project portfolio and some excellent targets to be tested in the near term, Musgrave Minerals is well positioned to capitalise on the growing demand for base metals and improving market conditions going forward.

Musgrave undertook four separate drilling programs during the year testing more than 10 separate targets as well as multiple geophysical, geological and geochemical programs across its projects. The result of this exploration has been seen at Pallatu, part of the Deering Hills Project in the Musgrave, where we have intersected a narrow interval of massive sulphide. Although narrow, it is technically significant as it is one of only a few massive nickel sulphide intersections ever identified in the South Australian portion of the Musgrave Province and demonstrates the prospective of the region.

Our other exciting discovery during the year was high-grade silver intersected at the Frakes target at Menninnie Dam in the Gawler Craton. Results here were very encouraging, with an intercept of 10m at 990g/t Ag including 2m at 3,942g/t Ag. We have since undertaken detailed soil sampling over Frakes, which returned highly anomalous silver values offset from the drilling warranting further work.

Our team has expanded our projects to cover new opportunities in the Southern Gawler Craton of South Australia with the Toondulya and Corunna projects targeting silver-lead-zinc and copper-gold mineralisation.

We are excited with our new Mamba project in the Fraser Range of Western Australia, along strike from the world class Nova-Bollinger nickel-copper discoveries made by Sirius Resources. We expect this tenement to be granted in the third quarter of the current year but we have already started to collect baseline datasets including the acquisition of high resolution magnetic data to assist with targeting.

We will also continue to pursue advanced-stage exploration and development opportunities over the next 12 months that fit our strategy for maximising shareholder value.

I take this opportunity to thank our Managing Director, our staff and my fellow Board members for their hard work and dedication over the past year.

I also thank you, our Shareholders, for your continued support and hope that it will continue in the future.

Graham Ascough
Chairman

Review of Operations

Musgrave Minerals Ltd (ASX: MGV) is an Australian-based exploration company focused on base metal, gold and silver exploration in the Musgrave Range and Gawler Craton regions of South Australia and the Fraser Range of Western Australia (Figure 1).

The Musgrave tenements are prospective for massive and disseminated nickel and copper sulphides within the mafic/ultramafic Giles Complex intrusives and base metal mineralisation within the Birksgate Complex meta-volcanic and meta-sedimentary sequences.

Menninnie Dam, located approximately 100km west of Port Augusta in South Australia, is a silver- zinc-lead project comprising five licences which cover an area of 2,471km^2 in the southern Gawler Craton.

The Company has a Farm in and Joint Venture Agreement with Menninnie Metals Pty Ltd, a subsidiary of Terramin Australia Limited (ASX: TZN), to earn a 51% interest in the Menninnie Dam Project in the first stage, and up to a 75% interest thereafter.

The project hosts the Menninnie Central and Viper deposits which have a JORC-compliant Inferred mineral resource of 7.7Mt at 27g/t Ag, 3.1% Zn and 2.6% Pb (estimated by Terramin Australia Limited in 2011 in accordance with the 2004 JORC code).

Musgrave has two new wholly owned projects in the southern Gawler Craton, Toondulya Bluff and Corunna. Toondulya Bluff is prospective for high grade gold mineralisation similar to the Challenger deposit and Corunna for epithermal copper-gold and silver-lead-zinc mineralisation (Figure 2).

Musgrave also has a new project in the Fraser Range of Western Australia along strike from the Nova-Bollinger deposits discovered by Sirius Resources. The Mamba project tenement (EL28/2405) is still in application. Tenement grant is expected early in 2015 (Figure 1).

Corporate

During the past year, Musgrave Minerals spent $3.1 million on exploration activities. At the end of June 2014, the Company is well resourced, holding $6.1 million in cash.

Musgrave also continued to progress its research and development activities and received $0.49M in regard to the 2012/2013 Financial Year Research and Development rebate.

Musgrave Minerals will continue to pursue new advanced stage opportunities to complement its existing portfolio of projects.

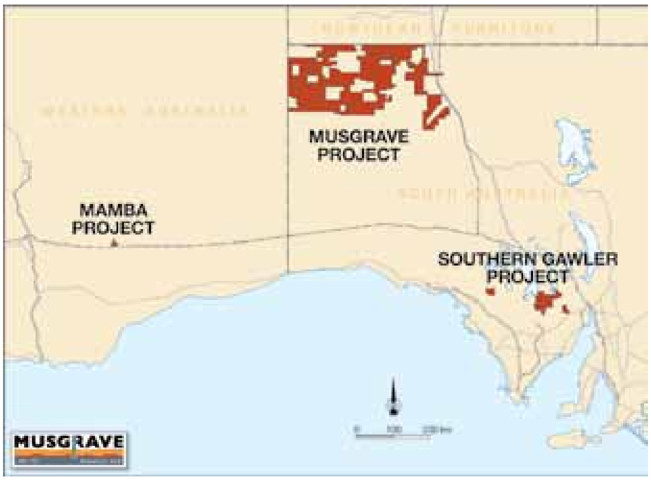

Figure 1: Musgrave Minerals' Project Location Map.

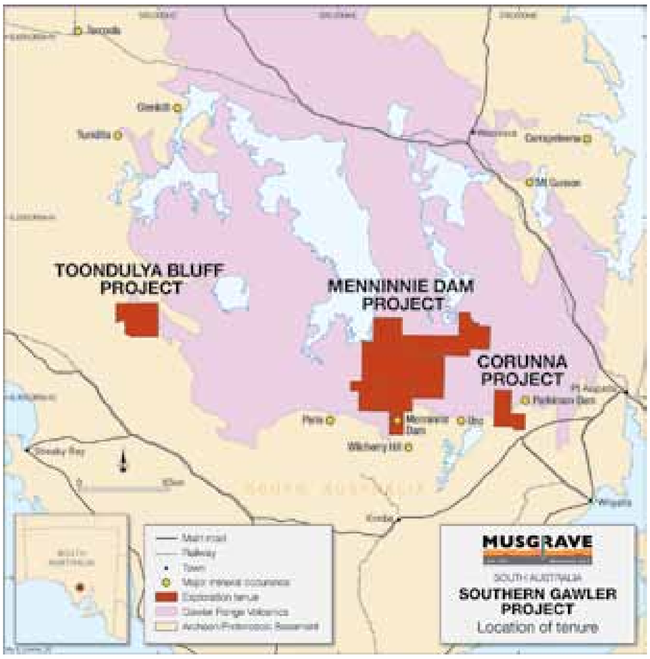

Figure 2: Musgrave Minerals' Southern Gawler Projects.

Exploration Activities

Musgrave Region Projects

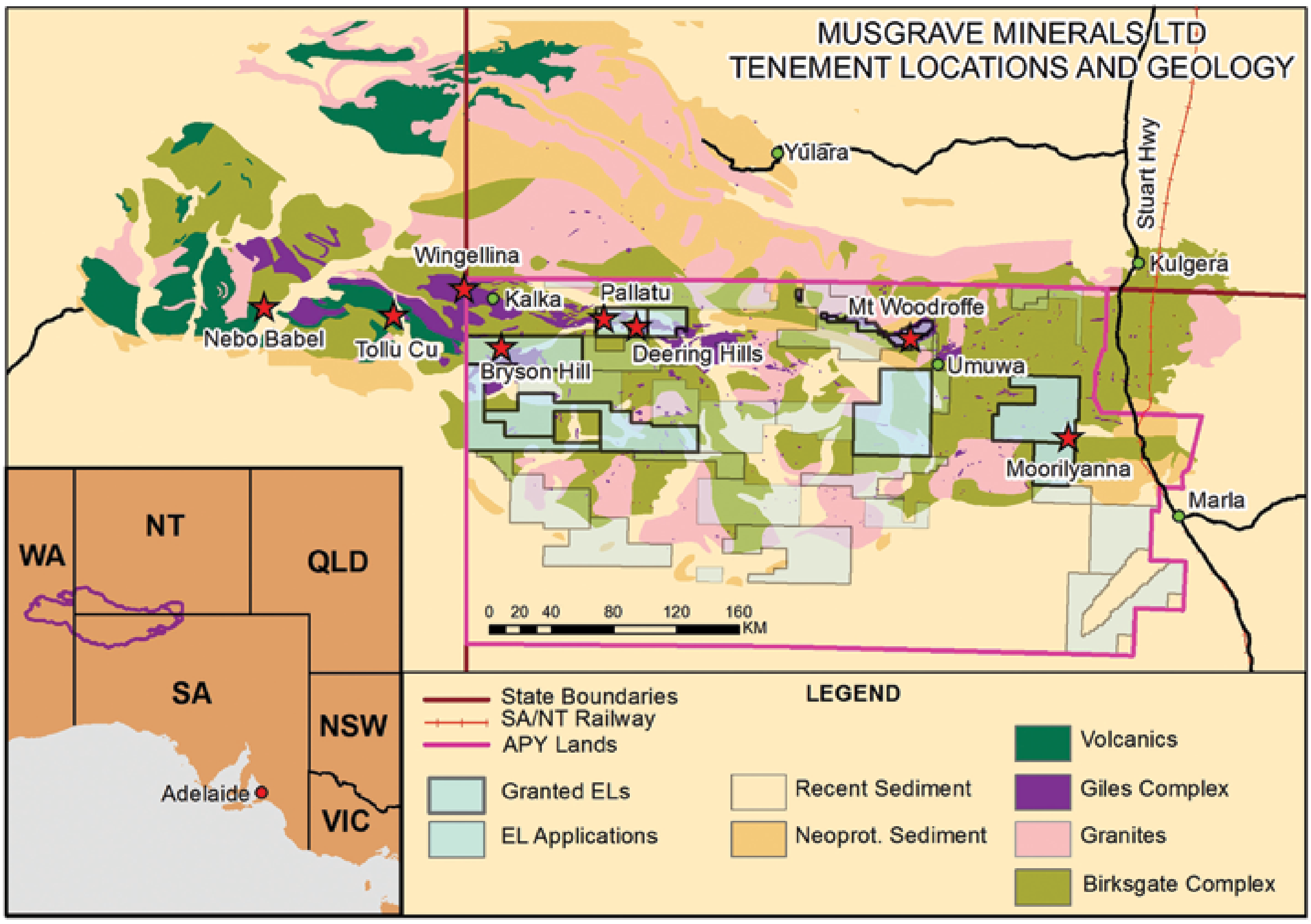

Figure 3: Location of MGV's Musgrave Geological Province tenements, South Australia.

Deering Hills Project

EL5172, EL5173 & EL5317

- (100% Musgrave Minerals Ltd)

- Musgrave granted the Pallatu exploration licence (EL5317)
- Five Pallatu EM targets drilled, all intersecting massive, matrix or disseminated sulphide
- New targets identified at Pallatu 6 and Pallatu 7 and diamond drilling commenced over these, post-year end

The Deering Hills Project is in the centre of the Musgrave geological province; about 200km west of the Stuart Highway and Adelaide to Darwin rail line in the far north-west of South Australia (Figure 3).

In the September quarter, MGV was granted the Pallatu Exploration Licence as part of the Deering Hills Project.

The Pallatu licence (Figure 4) covers a very prospective area of known Giles Complex intrusives associated with a number of high-priority VTEM (versatile time domain electromagnetic) conductors modelled under shallow sand cover. Giles Complex intrusives are known to host nickel sulphide mineralisation elsewhere in the Musgrave Province.

The VTEM targets at Pallatu are along strike from the anomalous nickel-copper-PGE (platinum group element) geochemical anomalies identified from shallow vacuum drilling at the Caliban and Minbar targets, and coincident with a large gravity anomaly and permissive magnetic response. This is consistent with the geophysical response from other known magmatic nickel sulphide deposits of this type.

Initial drilling at Pallatu intersected a combination of massive, matrix and disseminated sulphide (Figure 5) in all five drill holes from as shallow as 35.7m down hole. The drilling demonstrated that the system is mineralised with peak assays up to 0.5% nickel, 0.8% copper and 0.6g/t Pt, Pd + Au (platinum, palladium + gold) over narrow intervals in fresh rock. The mineralisation is hosted within sulphide bearing Giles Complex gabbros and pyroxenites (see ASX announcement 9th December 2013).

A re-assessment of ground EM data highlighted a potentially significant and extensive subtle conductor at depth to the north of the drilling. This target identified as Pallatu 7 is interpreted as approximately 350m long at a vertical depth of approximately 280m, which was at the limit of the interpretability of the existing EM survey data.

A detailed ground electromagnetic survey over the area in April confirmed this target at Pallatu 7, as well as the Pallatu 6 conductor to the north-east (Figure 4) (see ASX announcement 27th May 2014). MGV commenced a diamond drilling program over the targets post-year end, which consisted of 2 drill holes for 441m of drilling over the two targets. Disseminated sulphide was intersected in both holes. A down hole electromagnetic survey commenced in August to test for potential conductive off-hole massive sulphide mineralisation (see ASX announcement 25th August 2014).

The Pallatu nickel sulphide mineralisation is located on a prospective intrusive contact that extends over approximately 20km. To date only 1km of this prospective contact has been covered by ground EM. Musgrave is looking at a range of options to continue to progress this exploration opportunity.

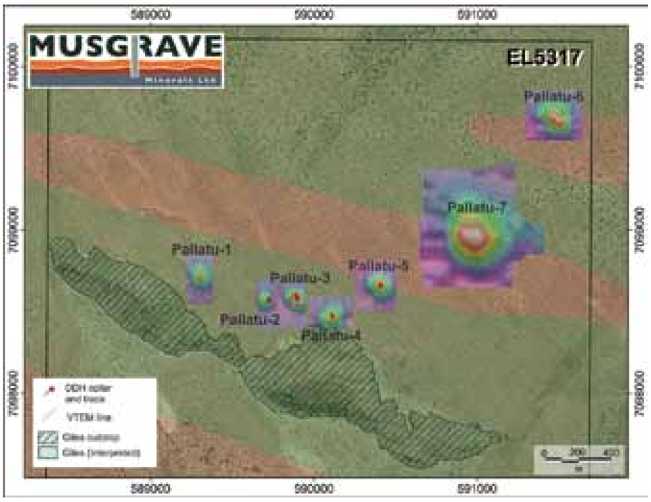

Figure 4: Location of ground EM targets (late-time fixed loop transient electromagnetic (FLTEM) response) on Landsat backdrop. Interpreted Giles (mafic/ultramafic) host rocks are shown in green.

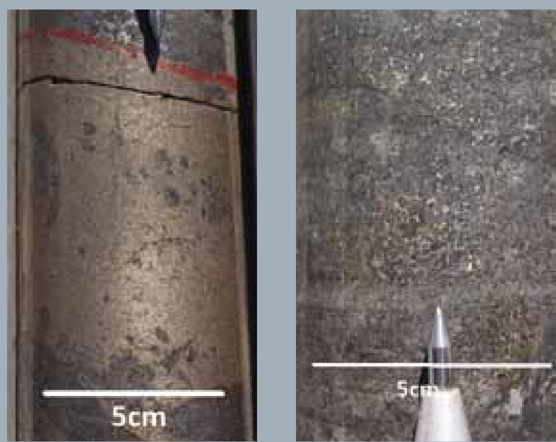

Figure 5a

Figure 5b

Figure 5a: Massive sulphide in drill hole PALDDH001 from 41.6m down hole.
Figure 5b: Disseminated sulphide in drill hole PALDDH001 from 41.1m down hole.

Photo of ground EM crew and diamond drill rig at Pallatu

Mimili Project

EL5174 & EL5175 - (100% Musgrave Minerals Ltd)

- Mapping, rock-chip and geochemical sampling identified new targets at Baltar, Valerii and Helo
- Regional soil geochemical program over the Ragnar target at the Moorilyanna Prospect identified copper geochemical targets for follow-up exploration

The Mimili Project consists of two wholly-owned exploration licences and is located in the eastern portion of the Musgrave region (Figure 3).

Musgrave undertook geological mapping, surface rock-chip and geochemical sampling over selected targets at Mimili. This returned anomalous results at a number of new targets including Baltar, Valerii and Helo where ground EM surveys were undertaken. Additional ground EM is required to complete coverage of these targets.

Moorilyanna Prospect

The Moorilyanna copper-gold prospect is located on tenement EL5175 less than 40km from the Stuart Highway and Adelaide to Darwin rail line (Figure 2).

Additional follow-up geochemical sampling was completed at the Ragnar target and surrounding area which successfully identified a number of copper geochemical targets for follow-up exploration, including a surface anomaly overlying the untested IP target near MOORC016. Drill testing of this target is required.

Mt Woodroffe Project

EL5171 (100% Musgrave Minerals Ltd)

- Geological mapping and rock-chip and geochemical sampling together with interpretation of airborne electromagnetic data identified new targets
- EM surveys were undertaken and basement conductors were identified at Lister and Kochanski nickel-copper targets

The Mt Woodroffe Project is situated in the eastern portion of the Musgrave Geological Province, located approximately 115km west of the Stuart Highway and Adelaide to Darwin rail line (Figure 3).

Musgrave undertook geological mapping, surface rock-chip and geochemical sampling, and ground EM surveys over selected VTEM targets. This confirmed basement EM conductors at the Lister and Kochanski targets and returned anomalous Ni, Cu, Co and PGE's in rock-chip samples. Additional ground EM is required to better define these targets for drill testing.

Bryson Hill Project

EL5205 (Musgrave Minerals Ltd earning 75% from Pitjantjatjara Mining Company Pty Limited and Zeil No. 1 Pty Limited)

- Nickel-copper sulphide gossan identified at Smeagol target

The Bryson Hill Project covers an area of approximately 1,535km^2 and is located in the eastern portion of the Musgrave Province (Figure 2). Musgrave identified a new nickel-copper sulphide gossan at a target named Smeagol. A nickel-copper gossan is the iron-rich weathered product of nickel-copper sulphide.

A follow-up soil geochemical sampling program at Smeagol identified a broad co-incident nickel-copper geochemical anomaly associated with the gossan. The soil anomaly extended from the gossan to the south-east onto flat sand plain, where it is open along strike. The Company completed a heritage survey followed by a ground EM survey over the Smeagol target but did not identify the presence of a basement conductor.

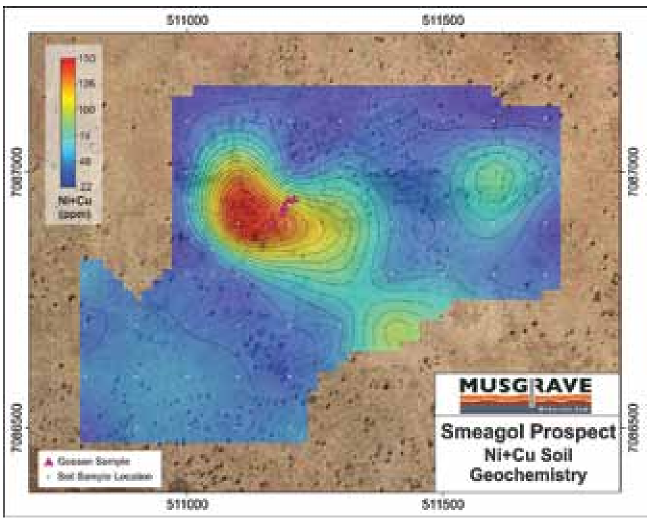

Figure 6: Image showing Smeagol gossan samples on Ni + Cu soil geochemical grid overlaying ortho-image.

Other Musgrave Tenements

The Company holds four additional granted tenements (EL4850-4853) and 30 exploration licence applications (ELA's) over numerous prospective areas in the South Australian Musgrave Province. The tenements host Giles Complex intrusives which are prospective for nickel-copper sulphide mineralisation.

Southern Gawler Project

Menninnie Dam Project

EL5039, 4813, 4285, 4669, 4865 (Musgrave Minerals Ltd earning 51% in the first instance and up to 75% thereafter)

- Seven high-priority VTEM targets identified
- Drilling testing of multiple targets including Spare Rib, Frakes, Erebus, Tank Hill and Masaraga
- Significant lead, zinc and silver mineralisation intersected at Spare Rib including:

o 20m @ 2.0% Pb from 67m in MDAC307

o 12m @ 1.6% Zn from 54m in MDAC306

- High-grade silver intersected at Frakes:

o 10m @ 990g/t Ag from 43m in MDAC375 including 2m @ 3,942g/t Ag

- Detailed soil sampling grid (50m x 100m) over Frakes returned highly anomalous silver values offset from drilling

Menninnie Dam comprises five Exploration Licences (ELs) covering a contiguous area of 2,471km^2 in the Gawler Craton, about 100km west of Port Augusta (Figure 2). The project hosts the Menninnie Central and Viper deposits that have a combined Inferred mineral resource of 7.7Mt at 27g/t silver, 3.1% zinc and 2.6% lead (estimated by Terramin in 2011 in accordance with the 2004 JORC code).

Aircore Drilling at Menninnie Dam

The project is located just 20km from the Paris silver discovery. Previous drilling at Menninnie Dam has focused on the existing resource area. Musgrave is actively testing new targets in this under-explored region and has the potential to discover new economic mineral deposits.

MGV identified seven high-priority VTEM (versatile time domain electromagnetic) anomalies (Figure 7) with co-incident surface silver and base metal geochemical anomalism. The Company undertook geological mapping, surface rock-chip sampling and soil geochemistry on these targets, identifying anomalous surface rock-chip samples at a number of targets (see ASX announcement, September 2013 Quarterly Activities and Cashflow Report, 31st October 2013).

Drilling undertaken to follow up five targets (Spare Rib, Frakes, Erebus, Tank Hill and Masaraga) across the

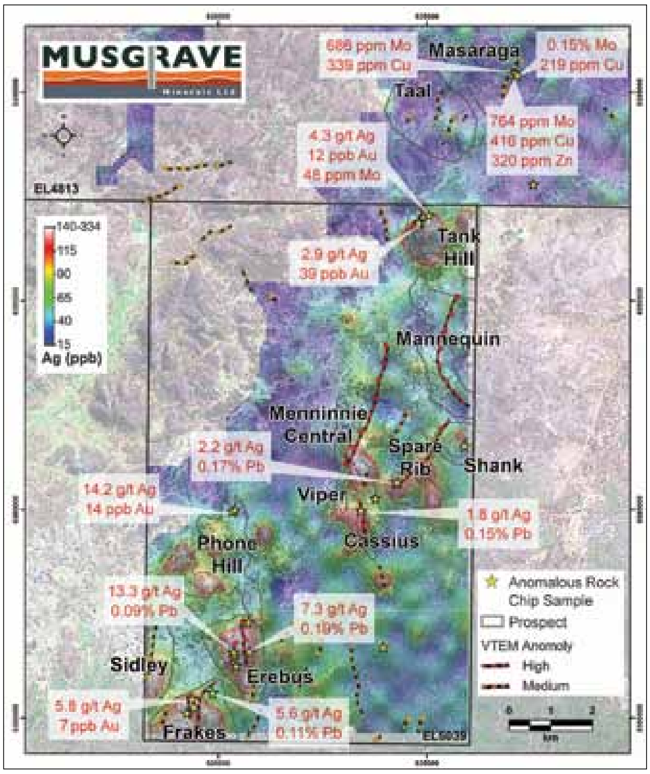

Figure 7: Location of Menninnie Dam prospects with anomalous rock-chip sample results and VTEM targets on silver soil geochemical grid and ortho-image.

Menninnie Dam project comprised 87 drill holes for 3,417m of aircore drilling to a maximum hole depth of 103m.

The drilling intersected significant lead, zinc and silver mineralisation at the Spare Rib target (see ASX announcement 28th January 2014).

Including:

- 20m @ 2.0% Pb from 67m in MDAC307
- 12m @ 1.6% Zn from 54m in MDAC306

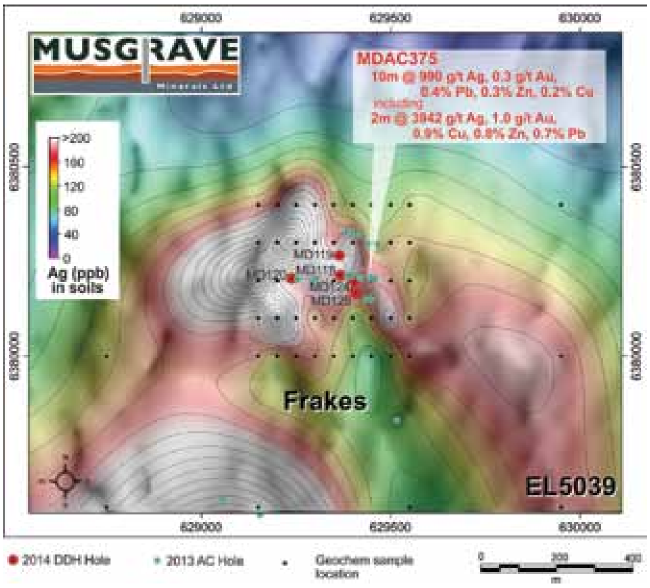

Figure 8: Location of drill hole collars at Frakes prospect with infill surface geochemistry showing significant surface silver geochemical anomalism west and south east of drilling.

Deeper diamond drilling at Spare Rib suggests a complex grade distribution and a possible off-hole shoot lunge.

Musgrave also intersected high-grade silver at the Frakes prospect (see ASX announcement 5th February 2014). The Frakes prospect is 5km south-west of the existing Menninnie Central and Viper deposits at Menninnie Dam, and Spare Rib is 2km east of Viper. Follow-up diamond drilling has identified complex geology and has thus far failed to confirm continuity of the mineralisation (Figure 8).

Significant intercepts from Frakes include:

- 10m @ 990g/t Ag, 0.3 g/t Au, 0.2% Cu, 0.4% Pb and 0.3% Zn from 43m
  - Including 2m @ 3,942g/t Ag, 1.0g/t Au, 0.9% Cu, 0.7% Pb, 0.8% Zn from 44m.

Musgrave is continuing to link the observed geology back into its developing epithermal model for the project area with the aim of defining new high priority targets for drill testing.

Additional detailed soil sampling over the Frakes target to better define the silver anomalism returned highly anomalous silver values including a peak value of 407.3ppb Ag at the western edge of the grid where the anomalism remains open (see ASX announcement 23rd May 2014). Follow-up drilling to test this target is being planned.

Pallatu Landscape

* JORC (2004 Edition)-compliant inferred resource for the Menninnie Central and Viper deposits was reported by Terramin Australia Limited (ASX: TZN) on 1st March 2011

Deposit	Tonnes x10^3	Zn (%)	Pb (%)	Ag (g/t)	Pb+Zn (%)
Total Menninnie Central	5,240	3.5	2.7	28	6.1
Total Viper	2,460	2.3	2.4	24	4.8
Total Combined Menninnie Central and Viper	7,700	3.1	2.6	27	5.7

Inferred Resource (at 2.5% Pb+Zn cut-off) as at 15 February 2011

MGV is not aware of any new information that would affect the material nature of this resource calculation.

Competent Person's Statement

The information in this report that relates to Mineral Resources or Ore Reserves is based on information thoroughly reviewed by Mr Robert Waugh, a competent person who 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 and a full-time employee of Musgrave Minerals Ltd. Mr Waugh has sufficient industry experience that is relevant to the style of mineralisation and type of deposit under consideration 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.

New Fraser Range Project

E28/2405 (Mamba Project)

Subsequent to the end of the period, Musgrave Minerals was successful in a ballot for Fraser Range tenement E28/2405 in Western Australia, now named the Mamba Project. The Company was in the ballot with 10 other applicants which went before the WA Department of Mines and Petroleum's Wardens Court on 18th July 2014. The project covers approximately 180km^2.

The new tenement application is in the same belt as the world class Nova-Bollinger nickel-copper sulphide discoveries of Sirius Resources NL (ASX: SIR) in south-eastern WA. The tenement is along strike from Sirius' Nova deposit and only 5km from the Trans Australian rail line (Figure 9).

Musgrave's technical team has commenced reviewing previous exploration conducted on the tenement and

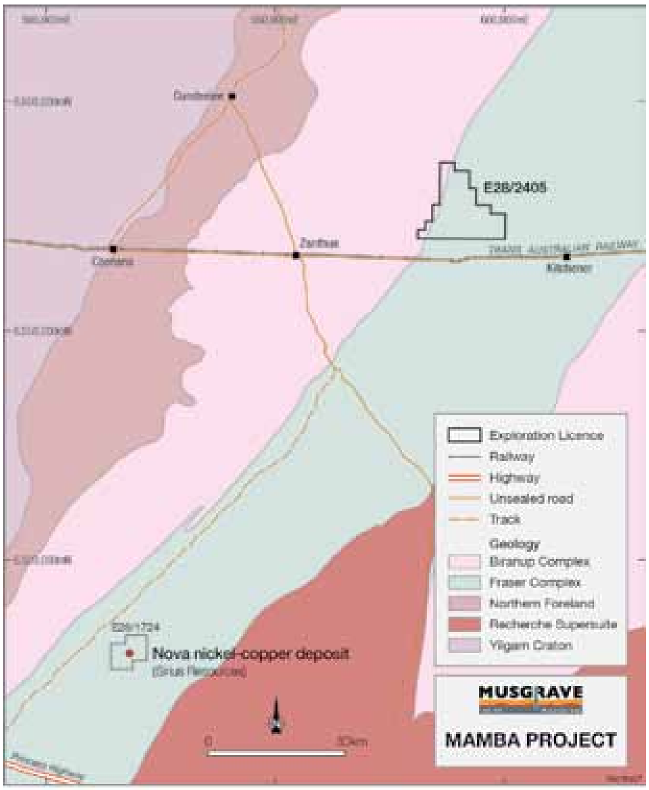

Figure 9: Location of Musgrave's new Mamba Project in the Fraser Range of Western Australia.

has identified compelling targets within the regional aeromagnetics that warrant follow-up exploration.

New Southern Gawler Projects

EL5403 (Toondulya Bluff Project), E2014/00092 (Corunna Project)

During the period, Musgrave was granted the Toondulya Bluff tenement, in the southern Gawler Craton. The tenement covers 390km^2 and is prospective for high-grade gold mineralisation.

Subsequent to the end of the period Musgrave was successful in the ERA ballot process to obtain priority in the grant of the Corunna tenement in the Southern Gawler craton area approximately 30km east of Menninnie Dam (Figure 2). The tenement covers an area of 260km2 and is prospective for silver-lead-zinc and copper-gold mineralisation. Historical rock chip samples on the project have been identified with up to 148g/t Ag and 0.5% Pb (see ASX announcement 25th August 2014).

Musgrave is continuing to assess and evaluate new projects and opportunities to increase shareholder value.

Competent Person's Statement

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled and/or thoroughly reviewed by Mr Robert Waugh, a Competent Person who 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 and a full-time employee of Musgrave Minerals Ltd. Mr Waugh has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 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 his information in the form and context in which it appears.

Logging Pallatu Core

Research and Development

Musgrave has established a strong relationship with CSIRO, the Commonwealth Scientific and Industrial Research Organisation, Australia's national science agency, with a research agreement focussing on new understandings and data interpretations that can be applied to our exploration in the Musgrave Province. We have also instigated research into a new geological model for our exploration in the Southern Gawler Craton of South Australia. We look forward to continuing our research partnerships in the coming year and the exciting developments that they may deliver.

Forward Looking Statements

This report has been prepared by Musgrave Minerals Ltd (MGV). The information contained in this report is a professional opinion only and is given in good faith. Certain information in this document has been derived from third parties and though Musgrave Minerals has no reason to believe that it is not accurate, reliable or complete, it has not been independently audited or verified by MGV.

This report is in summary form and does not purport to be all inclusive or complete. Recipients should conduct their own investigations and perform their own analysis in order to satisfy themselves as to the accuracy and completeness of the information, statements and opinions contained.

This is for information purposes only. Neither this nor the information contained in it constitutes an offer, invitation, solicitation or recommendation in relation to the purchase or sale of MGV shares in any jurisdiction. This does not constitute investment advice and has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs and the opinions and recommendations in this presentation are not intended to represent recommendations of particular investments to particular persons. Recipients should seek professional advice when deciding if an investment is appropriate. All securities transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments.

To the fullest extent permitted by law, MGV, its officers, employees, related bodies corporate, agents and advisers do not make any representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of any information, statements, opinions, estimates, forecasts or other representations contained in this report. No responsibility for any errors or omissions from this arising out of negligence or otherwise is accepted.

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, MGV. In particular, they speak only as of the date of this document, they assume the success of MGV's 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	Previous Tenement ID	Project	Locality	Status	Area (km²)	MGV Interest
EL1996/260		Musgrave	SA	Application	519	100%
EL1996/262		Musgrave	SA	Application	463	100%
EL1996/336		Musgrave	SA	Application	653	100%
EL1996/337		Musgrave	SA	Application	1854	100%
EL1996/338		Musgrave	SA	Application	620	100%
EL1996/339		Musgrave	SA	Application	1301	100%
EL1996/340		Musgrave	SA	Application	2198	100%
EL1996/341		Musgrave	SA	Application	1230	100%
EL1996/342		Musgrave	SA	Application	2136	100%
EL1996/534		Musgrave	SA	Application	1783	100%
EL1997/040		Musgrave	SA	Application	1507	100%
EL1997/053		Musgrave PMC JV	SA	Application	1013	0% (may earn up to 75%)
EL1997/055		Musgrave PMC JV	SA	Application	595	0% (may earn up to 75%)
EL1997/056		Musgrave PMC JV	SA	Application	1241	0% (may earn up to 75%)
EL1997/057		Musgrave PMC JV	SA	Application	1656	0% (may earn up to 75%)
EL1997/058		Musgrave PMC JV	SA	Application	1721	0% (may earn up to 75%)
EL1997/059		Musgrave PMC JV	SA	Application	2308	0% (may earn up to 75%)
EL1997/060		Musgrave PMC JV	SA	Application	666	0% (may earn up to 75%)
EL1997/061		Musgrave PMC JV	SA	Application	2108	0% (may earn up to 75%)
EL1997/062		Musgrave PMC JV	SA	Application	1926	0% (may earn up to 75%)
EL1997/063		Musgrave PMC JV	SA	Application	1957	0% (may earn up to 75%)
EL1997/143		Musgrave	SA	Application	1040	100%
EL1997/144		Musgrave	SA	Application	835	100%
EL1997/186		Musgrave	SA	Application	1815	100%
EL1997/297		Musgrave	SA	Application	2015	100%
EL1997/321		Musgrave	SA	Application	624	100%
EL1997/468		Musgrave	SA	Application	215	100%
EL1997/605		Musgrave	SA	Application	152	100%
EL1999/035		Musgrave	SA	Application	692	100%
EL2001/031		Musgrave	SA	Application	338	100%
EL2008/154		Musgrave	SA	Application	37	100%
EL4850		Musgrave	SA	Granted	2385	100%
EL4851		Musgrave PMC JV	SA	Granted	2360	0% (may earn up to 75%)
EL4852		Musgrave	SA	Granted	1342	100%
EL4853		Musgrave	SA	Granted	1256	100%
EL5170	EL3940	Musgrave	SA	Granted	424	100%
EL5171	EL3941	Musgrave	SA	Granted	427	100%
EL5172	EL3942	Musgrave	SA	Granted	565	100%
EL5173	EL3954	Musgrave	SA	Granted	714	100%
EL5174	EL3955	Musgrave	SA	Granted	1906	100%
EL5317		Musgrave	SA	Granted	12	100%
EL5205	EL4047	Musgrave PMC JV	SA	Granted	1535	0% (may earn up to 75%)
EL5039		Musgrave-Menninnie Metals JV	SA	Granted	101	0% (may earn up to 75%)
EL4813		Musgrave-Menninnie Metals JV	SA	Granted	312	0% (may earn up to 75%)
EL4285		Musgrave-Menninnie Metals JV	SA	Granted	208	0% (may earn up to 75%)
EL4669		Musgrave-Menninnie Metals JV	SA	Granted	988	0% (may earn up to 75%)
EL4865		Musgrave-Menninnie Metals JV	SA	Granted	862	0% (may earn up to 75%)
EL5403		Toondulya Bluff	SA	Granted	380	100%
EL2014/00092		Corunna	SA	Application	260	100%
EL28/2405		Mamba	SA	Application	180	100%

Directors' Report

Your directors present their report on Musgrave Minerals Ltd and its subsidiary (the Group) for the financial year ended 30 June 2014.

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.

Names, qualifications, experience and special responsibilities

Mr Graham Ascough

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

Graham Ascough is a senior resources executive with more than 24 years of industry experience evaluating mineral projects and resources in Australia and overseas. He has had broad industry involvement ranging from playing a leading role in setting the strategic direction for significant country-wide exploration programs to working directly with mining and exploration companies.

Mr Ascough is a geophysicist by training and was the Managing Director of ASX listed Mithril Resources Ltd from October 2006 until June 2012. Prior to joining Mithril in 2006, Mr Ascough was the Australian Manager of Nickel and PGM Exploration at the major Canadian resources house, Falconbridge Ltd (acquired by Xstrata Plc in 2006).

He is a Member of the Australian 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)
Phoenix Copper Ltd (Appointed 10 December 2012)
Avalon Minerals Ltd (Appointed 29 November 2013)

Former directorships:
Reproductive Health Science Ltd (Retired 2 April 2014)
Aguia Resources Ltd (Appointed 19 October 2010, resigned 15 November 2013)

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 ten years in the Musgrave region. Mr Waugh was a critical member of the WMC Resources Ltd exploration team that discovered the 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 in a number of companies including WMC Resources (WMC) and BHP Billiton Exploration Ltd (BHP). Mr Waugh 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 Master 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 ASX listed Independence Group NL. 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 Ltd. In addition he has extensive experience in stockbroking, corporate finance and investment management. Mr Percival is currently Executive Director - Operations of ASX listed Goldsearch Limited. Mr Percival is a member of the Company's audit committee.

Other directorships:
Goldsearch Ltd (Appointed 11 October 1995)

Company Secretary

Mr Donald Stephens

BAcc, FCA (Company Secretary) – held office since 26 May 2010

Mr 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), a firm of Chartered Accountants. He is a director of Mithril Resources Ltd, Papyrus Australia Ltd, Lawson Gold Ltd, Petratherm Ltd, Reproductive Health Science Ltd and was formerly a director of TW Holdings Ltd (resigned 14 December 2012). Additionally he is Company Secretary to Minotaur Exploration Ltd, Mithril Resources 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.

Operating Results

The loss of the Group after providing for income tax amounted to $4,859,861 (2013: $585,809).

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	200,000	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 Group during the financial year were:

- to carry out exploration of mineral tenements both on a joint venture basis and by the Group 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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future Developments

The current area of strategic focus for the Group is the exploration for base metal, gold and silver exploration in the following areas:

- the Southern Gawler Craton region of South Australia;
- Menninnie Dam, located in South Australia; and
- The Musgrave region of South Australia.

The Group is continuing to develop a pipeline of targets for drill testing over the next 12 months. Due to the inherent risks in mineral exploration, it is not possible at this stage to predict the future results of these operations, but the Company is well capitalised with over $6 million in cash on hand to undertake these activities.

Environmental Regulations

The Group 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 encompass not only the impact on the land and vegetation but cover such subjects as pollution, approvals from relevant parties including land owners and land users, heritage, health and safety and proper restoration practices. The Group 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 Group is committed to minimising environmental impacts during all phases of exploration, development and production through a best practice environmental approach. The Group 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 Group has formed a best practice policy for the management of its exploration programs. The Group properly monitors and adheres to this approach and there were no environmental incidents to report for the year under review. Furthermore, the Group 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 one medically treated incident and no lost time injuries. The Company reviews its Health and Safety policy at regular intervals to ensure a high standard of Health and Safety.

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 2013	Net Issued/ (Exercised or expired)	Balance at 30 June 2014
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	375,000	-	375,000
06/03/2013	05/03/2018	$0.25	500,000	-	500,000
25/03/2013	24/03/2018	$0.25	75,000	-	75,000
11/03/2014	10/03/2019	$0.12	-	575,000	575,000
			16,450,000	**575,000**	**17,025,000**

Share Options

Shares issued as a result of exercise of options

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

New options issued

During the financial year a total of 575,000 unlisted options were issued to employees as an incentive. The options are exercisable at $0.12 and expire 10 March 2019. Refer to note 13 to the financial statements for further information.

Indemnification and Insurance of Directors and Officers

To the extent permitted by law, the Group has indemnified (fully insured) each Director and the Company Secretary of the Group for a premium of $14,560 (including GST). 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 Group 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 Group.

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 Group. 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 Group'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 the contract being indefinite subsequent to this period, subject to a 6 month notice period) with his current gross annual salary, inclusive of 9.5% superannuation guarantee, being $290,000. Either party may terminate the employment contract without cause by providing six (6) months written notice or by making payment in lieu of notice (in the case of the Company), 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, Mr Ian Warland, are formalised in a contract of employment. Mr Warland commenced employment on 6 March 2013 and his current gross annual salary, inclusive of superannuation guarantee, is $218,000. 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 Mr Warland), 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 Principal Geologist, 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.

Director remuneration arrangements

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The Company's constitution and the ASX listing rules specify that the non-executive director (NED) fee pool shall be determined from time to time by a general meeting. The last determination disclosed in the Company's prospectus dated 28 February 2011 approved an aggregate fee pool of $250,000 per year.

The Board will not seek any increase for the NED pool at the 2014 AGM.

Key Management Personnel

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
Donald Stephens, Company Secretary
Justin Gum, Principal Geologist
Ian Warland, Exploration Manager

Table 1: Director remuneration for the year ended 30 June 2014 and 30 June 2013

	Short-term employee benefits	Post employment benefits	Share based payments	Total
	Salary & Fees $	Superannuation $	Options	$
Graham Ascough*				
2014	65,000	-	-	**65,000**
2013	65,000	-	-	**65,000**
Robert Waugh #				
2014	256,414	23,718	-	**280,132**
2013	266,055	23,945	-	**290,000**
Kelly Ross *				
2014	45,000	4,163	-	**49,163**
2013	45,000	4,050	-	**49,050**
John Percival				
2014	49,163	-	-	**49,163**
2013	46,012	3,038	-	**49,050**
Total				
2014	**415,577**	**27,881**	**-**	**443,458**
2013	**422,067**	**31,033**	**-**	**453,100**

Note: Rob Waugh took leave without pay during the year ended 30 June 2014, hence his aggregate remuneration did not match his gross annual salary noted in the note in relation to employment contracts.

Table 2: Remuneration of key management personnel for the year ended 30 June 2014 and 30 June 2013

	Short-term employee benefits	Post employment benefits	Share based payments	Total
	Salary & Fees $	Superannuation $	Options $	$
Justin Gum				
2014	157,500	14,569	5,220	**177,289**
2013	156,875	14,119	-	**170,994**
Ian Warland				
2014	201,180	18,500	10,440	**230,120**
2013	51,571	4,641	21,550	**77,762**
Donald Stephens *				
2014	49,050	-	-	**49,050**
2013	49,050	-	-	**49,050**
Total				
2014	**407,730**	**33,069**	**15,660**	**456,459**
2013	**257,496**	**18,760**	**21,550**	**297,806**

* 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. 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.

Option holdings of Key Management Personnel

30-Jun-14	Balance at beginning of period	Granted as remuneration	Options Exercised	Net change other	Balance at end of period	Vested at 30 June 2014		
						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
	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
Donald Stephens	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
		100,000*	-	-	100,000	10/03/19	11/03/14	10/03/19
Ian Warland	500,000		-	-	500,000	05/03/18	06/03/13	05/03/18
	-	200,000*	-	-	200,000	10/03/19	11/03/14	10/03/19

* The above options issued to Key Management Personnel were not performance based in nature. They have been issued under the Employee Share Option Plan, refer to note 13 of the financial statements for further details. The fair value per option granted during the period was $0.052.

Shareholdings of Key Management Personnel

30 June 2014	Balance at 1 July 13	On Exercise of Options	Net Change Other	Balance 30 June 14
Directors				
Graham Ascough	200,000	-	-	200,000
Robert Waugh	80,000	-	-	80,000
John Percival	200,000	-	-	200,000
Kelly Ross	50,000	-	-	50,000
Donald Stephens	-	-	-	-
Justin Gum	40,000	-	40,000	80,000
Ian Warland	-	-	-	-

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 2013 Annual General Meeting

Musgrave Minerals Ltd received more than 97% of "yes" votes on its remuneration report for the 2013 financial year by proxy. The Company did not receive any specific feedback at the AGM on its remuneration report.

Remuneration Report Ends

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	7	2	2
Kelly Ross	8	8	2	2

Members acting on the audit committee 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.

Matters Subsequent to the Reporting Date

A number of irregular transactions have come to the attention of the Board in preparing the financial statements for the Group. The Board is presently investigating these irregularities and has engaged independent assistance to review the matter. At the date of signing this report, the transactions are considered immaterial to the Group.

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 financial year. The auditor's independence declaration for the year ended 30 June 2014 as required under section 307C of the Corporations Act 2001 has been received and can be found on page 15.

Signed in accordance with a resolution of the Directors.

Mr Graham Ascough

Chairman

30 September 2014


Bryson Geochem Sampling

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.

The Company notes the recent amendments to the ASX Corporate Governance Principles and Recommendations (3rd Edition), issued 27 March 2014. These changes are due to take effect for a listed entity's first full financial year commencing on or after 1 July 2014 and include the addition of a recommendation to disclose the details of their internal audit function (Recommendation 7.3) and a move to greater disclosure in relation to economic, environmental and social sustainability risks (Recommendation 7.4). The Company will assess the impact of these changes during the 2015 financial year and disclose its compliance with these amended rules in its 2015 Annual Report.

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 has taken place during the 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 therefore has not complied 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 to +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 and ethics 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 Company continues to strive towards achieving objectives established towards increasing gender diversity.

The Company assesses all staff and Board appointments on their merits with consideration to diversity a driver in decision making. The Company has developed and disclosed a formal diversity policy and therefore has 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 5 staff members (excluding the Non-Executive Directors and the Managing Director), of which 1 is 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 included 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 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 has included the disclosures required by Recommendation 8.4 in this annual report.

Grant Thornton

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Musgrave Minerals Limited for the year ended 30 June 2014, 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
Partner – Audit & Assurance

Adelaide, 30 September 2014

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Consolidated Statement of Profit or Loss and Comprehensive Income

For the year ended 30 June 2014

		Consolidated Group	
		Year ended	
		30 June 2014	30 June 2013
	Note	$	$
Revenue	5 (a)	308,551	581,613
Impairment of exploration and evaluation assets		(4,373,984)	(354,939)
Employee benefits expense	5 (d)	(561,869)	(464,272)
Depreciation expense	5(b)	(66,923)	(89,049)
Finance expenses	5 (c)	(1,727)	(8,271)
Other expenses	5 (e)	(652,517)	(543,517)
Loss before income tax expense		**(5,348,469)**	**(878,435)**
Income tax benefit/(expense)	6	488,608	292,626
Loss from continuing operations		**(4,859,861)**	**(585,809)**
Loss attributable to members of the parent entity		**(4,859,861)**	**(585,809)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(4,859,861)**	**(585,809)**
Earnings per share:		***Cents***	***Cents***
Basic earnings per share	7	(4.02)	(0.48)
Diluted earnings per share	7	(4.02)	(0.48)

This statement should be read in conjunction with the notes to the financial statements

Consolidated Statement of Financial Position

As at 30 June 2014

		Consolidated Group	
		30 June 2014	30 June 2013
	Note	$	$
CURRENT ASSETS			
Cash and cash equivalents	8	6,139,459	9,565,706
Trade and other receivables	9	89,786	123,681
Other current assets	10	25,498	54,160
TOTAL CURRENT ASSETS		**6,254,743**	**9,743,547**
NON-CURRENT ASSETS			
Property, plant and equipment	11	135,723	176,439
Exploration and evaluation assets	12	15,748,622	17,055,933
TOTAL NON-CURRENT ASSETS		**15,884,345**	**17,232,372**
TOTAL ASSETS		**22,139,088**	**26,975,919**
CURRENT LIABILITIES			
Trade and other payables	14	219,690	251,061
Short-term borrowings	15	-	47,293
Short-term provisions	16	151,076	90,517
TOTAL CURRENT LIABILITIES		**370,766**	**388,871**
NON-CURRENT LIABILITIES			
Long-term borrowings	15	-	6,174
Long-term provisions	16	30,913	13,619
TOTAL NON-CURRENT LIABILITIES		**30,913**	**19,793**
TOTAL LIABILITIES		**401,679**	**408,664**
NET ASSETS		**21,737,409**	**26,567,255**
EQUITY			
Issued capital	17	26,718,899	26,718,899
Reserves	18	2,973,818	2,958,083
Retained earnings	19	(7,955,308)	(3,109,727)
TOTAL EQUITY		**21,737,409**	**26,567,255**

This statement should be read in conjunction with the notes to the financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

		Consolidated Group			
	Note	Issued Capital Ordinary $	Share Option Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2012		**26,718,899**	**2,944,985**	**(2,534,628)**	**27,129,256**
Total profit or loss				(585,809)	(585,809)
Other comprehensive income for the year		-	-	-	-
Share based payments	13	-	23,808	-	23,808
Transfer from share option reserve due to lapse of options under employee share option plan		-	(10,710)	10,710	-
Balance at 30 June 2013		**26,718,899**	**2,958,083**	**(3,109,727)**	**26,567,255**
Balance at 1 July 2013		**26,718,899**	**2,958,083**	**(3,109,727)**	**26,567,255**
Total profit or loss		-	-	(4,859,861)	(4,859,861)
Other comprehensive income for the year		-	-	-	-
Share based payments	13	-	30,015	-	30,015
Transfer from share option reserve due to lapse of options under employee share option plan		-	(14,280)	14,280	-
Balance at 30 June 2014		**26,718,899**	**2,973,818**	**(7,955,308)**	**21,737,409**

This statement should be read in conjunction with the notes to the financial statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

		Consolidated Group	
	Note	Year ended 30 Jun 2014 $	Year ended 30 Jun 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,107,086)	(1,073,892)
Interest received		306,105	689,810
Finance costs		(1,274)	(7,991)
Receipt of Research and Development Tax Concession		488,608	292,626
NET CASH USED IN OPERATING ACTIVITIES	8	**(313,647)**	**(99,447)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(33,318)	(39,112)
Payments for exploration activities		(3,032,829)	(3,800,309)
NET CASH USED IN INVESTING ACTIVITIES		**(3,066,147)**	**(3,839,421)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of transaction costs for issue of shares		-	-
Repayment of borrowings		(46,453)	(66,286)
NET CASH USED IN FINANCING ACTIVITIES		**(46,453)**	**(66,286)**
Net decrease in cash and cash equivalents		(3,426,247)	(4,005,154)
Cash at the beginning of the year		9,565,706	13,570,860
CASH AT THE END OF THE YEAR	8	**6,139,459**	**9,565,706**

This statement should be read in conjunction with the notes to the financial statements

Notes to the Financial Statements

For the year ended 30 June 2014

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 Group 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 2014 (including comparatives) were approved and authorised for issue by the Board of Directors on 30 September 2014.

3. 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. Principle of Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 24 to the financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

c. Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

d. 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 as 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.

Tax consolidation

Musgrave Minerals Ltd and its wholly owned Australian controlled entity decided to implement the tax consolidation legislation as at 1 July 2013. The Australian Taxation Office has been notified of this decision.

e. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss 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 or diminishing value basis over the asset's useful life to the Group 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 profit or loss.

f. 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.

g. 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 Group, 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.

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.

h. 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 Group'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.

i. 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 Group 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 Group 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 Group'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.

j. Joint arrangements

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly). Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

k. Equity-settled compensation

The Group 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 share 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.

l. Provisions

Provisions are recognised when the Group 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.

m. 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.

n. 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).

o. 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.

p. 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.

q. 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.

r. 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.

s. 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.

t. Comparative Figures

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

u. 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 Group.

Key estimates

(i) Impairment

The Group 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 Group 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 the evaluation of such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at $15,748,622 (2013: $17,055,933).

v. New and amended standards adopted by the Group

During the current year, the following standards became mandatory and have been adopted retrospectively by the Group:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*

The accounting policies have been updated to reflect changes in the recognition and measurement of assets, liabilities, income and expenses and the impact of adoption of these standards is discussed below.

AASB 10 *Consolidated Financial Statements* is effective for annual reporting periods beginning on or after 1 January 2013 and therefore the Group has applied it for the first time in these financial statements. AASB 10 includes a new definition of control, including additional guidance for specific situations such as control in a principal / agent situation and when holding less than majority voting rights may give control. AASB 10 supersedes the previous requirements of AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation - Special Purpose Entities* and resulted in consequential amendments to a number of other standards.

The Group has reviewed its investment in other entities to determine whether any changes were required to the consolidated entity under AASB 10. The composition of the consolidated entity is the same under AASB 10 and therefore there is no change to the reported financial position and performance.

AASB 11 *Joint Arrangements* replaces AASB 131 *Interests in Joint Ventures* and Interpretation 112 *Jointly Controlled Entities - Non monetary Contributions* by Venturers as well as consequential amendments to a number of other standards. AASB 11 uses the revised definition of control from AASB 10 and once joint control is determined, then classifies joint arrangements as either joint ventures or joint operations. Joint ventures are accounted for using the equity method, proportionate consolidation is not permitted under AASB 11. Joint operations are accounted for by incorporating the venturer's share of assets, liabilities, income and expenses into the financial statements. There were no changes to the accounting for joint arrangements under AASB 11.

AASB 12 *Disclosure of Interests in Other Entities* includes all disclosures relating to an entity's interest in associates, joint arrangements, subsidiaries and structured entities. On adoption of AASB 12, additional disclosures have been included in the financial statements in relation to investments held.

AASB 13 *Fair Value Measurement* does not change what and when assets or liabilities are recorded at fair value. It provides guidance on how to measure assets and liabilities at fair value, including the concept of highest and best use for non financial assets. AASB 13 has not changed the fair value measurement basis for any assets or liabilities held at fair value, however additional disclosures on the methodology and fair value hierarchy have been included in the financial statements.

AASB 119 *Employee benefits* changes the basis for determining the income or expense relating to defined benefit plans and introduces revised definitions for short term employee benefits and termination benefits.

The Group reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period. Whilst this has been considered to be a long term employee benefits for the purpose of measuring the leave under AASB 119, the effect of discounting was not considered to be material and therefore has not been performed.

w. New Accounting Standards and Interpretations

The accounting standards that have not been early adopted for the year ended 30 June 2014, but will be applicable to the group in future reporting periods, are detailed below. Apart from these standards, other accounting standards that will be applicable in future periods have been reviewed, however they have been considered to be insignificant to the group.

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 group. Management anticipates that all of the relevant pronouncements will be adopted in the group'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 group's financial statements is provided opposite.

Year ended 30 June 2015:

AASB 1031: Materiality

AASB 2013-4, Novation of Derivatives and Continuation of Hedge Accounting

AASB 2013-5, Investment Entities

AASB 2013-9, Conceptual Framework, Materiality and Financial Instruments

AASB 2014-1, Amendments to Australian Accounting Standards

These standards make changes to a number of existing Australian Accounting Standards and are not expected to result in a material change to the manner in which the Group's financial result is determined or upon the extent of disclosures included in future financial reports.

Year ended 30 June 2017: Amendments to AASB 116 and AASB 138, Clarification of acceptable methods of depreciation and amortisation

This standard will clarify that revenue based methods to calculate depreciation and amortisation are not considered appropriate. This will not result in a change to the manner in which the Group's financial result is determined as no such method is currently in use.

Year ended 30 June 2018: IFRS 15: Revenue from Contracts with Customers

This standard will change the timing and in some cases the quantum of revenue received from customers. IFRS 15 requires an entity to recognise revenue by identifying for each customer contract, the performance obligations in the contract and the transaction price. The transaction price is then allocated against the performance obligations in the contract with revenue recognised when (or as) the entity satisfies each performance obligation. Management are currently assessing the impact of the new standard but it is not expected to have a material impact on the financial performance or financial position of the consolidated entity.

Year ended 30 June 2019: AASB 9: Financial Instruments

This standard introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss).
- Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted by presenting changes in credit risk in other comprehensive income (OCI) and the remaining change in the statement of profit or loss.

This standard is not expected to result in a material change to the manner in which the Group's financial result is determined or upon the extent of disclosures included in future financial reports although the Group will quantify the effect of the application of AASB 9 when the final standard, including all phases, is issued.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. 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.

5. Revenue and expenses

	Consolidated	
	2014 $	2013 $
(a) Revenue		
Interest revenue	295,150	578,699
Other revenue	13,401	2,914
	308,551	**581,613**
(b) Depreciation of non-current assets		
Plant and equipment	44,379	60,199
Motor Vehicles	22,544	28,850
	66,923	**89,049**
(c) Finance expenses		
Finance costs	-	85
Interest applicable to hire-purchase	1,727	8,186
	1,727	**8,271**
(d) Employees benefits expense		
Wages, salaries, directors fees and other remuneration expenses	1,406,121	1,228,097
Contributions to defined contribution superannuation funds	130,872	103,772
Transfer to/(from) annual leave provision	48,559	3,457
Transfer to/(from) long service leave provision	17,294	9,437

	Consolidated	
	2014 $	2013 $
(d) Employees benefits expense (continued)		
Share-based payments expense	30,015	23,808
Transfer to capitalised tenements	(1,070,992)	(904,299)
	561,869	**464,272**
(e) Other expenses from ordinary activities		
Secretarial, professional and consultancy	126,984	184,824
Occupancy costs	112,703	104,550
Share register maintenance	22,140	33,836
Insurance costs	47,958	30,529
Promotion, advertising and sponsorship	34,135	31,467
Audit fees	29,548	30,264
Computer expenses	18,853	47,053
Employer related on-costs	35,108	55,161
Other expenses	225,088	25,833
	652,517	**543,517**

6. Income tax (benefit)/expense

Income Tax

The major components of income tax expense are:

	Consolidated	
	2014 $	2013 $
Current income tax		
Current income tax charge/ (benefit)	-	-
Research and Development Tax offset	(488,608)	(292,626)
Income tax expense/(benefit) reported in the statement of profit or loss and comprehensive income	**(488,608)**	**(292,626)**

	Consolidated	
	2014 $	2013 $
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit/(loss) before income tax	**(4,859,861)**	**(585,809)**
At the Group's statutory income tax rate of 30% (2013: 30%)	(1,457,958)	(263,531)
Immediate write off of capital expenditure	(920,002)	(1,161,577)
Expenditure not allowable for income tax purposes	1,312,195	113,993
Other deductible items	(64,905)	(64,905)
Tax losses not recognised due to not meeting recognition criteria	1,130,670	1,376,020

The Company has tax losses arising in Australia of $13,781,828 (2013: $10,012,928) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

7. 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.

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:

	Consolidated	
	2014 $	2013 $
Net profit/(loss) attributable to ordinary equity holders of the parent entity	(4,859,861)	(585,809)
Weighted average number of ordinary shares for basic earnings per share	121,000,000	121,000,000
Effect of dilution		
Share options	N/A	N/A
Weighted average number of ordinary shares adjusted for the effect of dilution	121,000,000	121,000,000

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

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.

8. Cash and cash equivalents

	Consolidated	
	2014 $	2013 $
CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	829,459	1,155,706
Short-term deposits	5,310,000	8,410,000
	6,139,459	**9,565,706**

	Consolidated	
	2014 $	2013 $
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 banks and in hand	829,459	1,155,706
Short-term deposits	5,310,000	8,410,000
	6,139,459	**9,565,706**
Reconciliation of net loss after tax to net cash flows from operations		
Net loss	(4,859,861)	(585,809)
Adjustments for non-cash items:		
Depreciation	66,923	89,049
Share based payments	30,015	23,808
Impairment expense	4,373,984	-
Changes in assets and liabilities		
Decrease/(Increase) in trade and other receivables	33,895	9,576
Decrease/(Increase) in prepayments	3,117	643
Decrease/(Increase) in interest receivable	25,544	127,226
Increase/(Decrease) in trade and other payables	(65,117)	223,166
Increase/(Decrease) in employee entitlements	77,853	12,894
Net cash (used in)/provided by operating activities	**(313,647)**	**(99,447)**

9. Trade and other receivables

	Consolidated	
	2014 $	2013 $
Goods & Services Tax receivable	54,343	116,656
Fuel tax credits receivable	-	7,025
Other receivables	35,443	-
	89,786	**123,681**

Information regarding the credit risk of current receivables is set out in note 23.

10. Other current assets

	Consolidated	
	2014 $	2013 $
Prepayments	-	3,118
Accrued income	25,498	51,042
	25,498	**54,160**

11. Plant and equipment

	Consolidated	
	2014 $	2013 $
Motor vehicles		
Cost		
Balance at 1 July	166,545	166,545
Additions	-	-
Balance at 30 June	**166,545**	**166,545**
Accumulated depreciation		
Balance at 1 July	60,655	31,805
Depreciation for the year	22,544	28,850
Balance at 30 June	**83,199**	**60,655**
Net book value	**83,346**	**105,890**
Plant and equipment		
Cost		
Balance at 1 July	222,368	181,156
Additions	26,207	41,212
Disposals	-	-
Balance at 30 June	**248,575**	**222,368**
Accumulated depreciation		
Balance at 1 July	151,819	91,620
Depreciation for the year	44,379	60,199
Disposals	-	-
Balance at 30 June	**196,198**	**151,819**
Net book value	**52,377**	**70,549**

	Consolidated	
	2014 $	2013 $
Total		
Cost		
Opening balance	388,913	347,701
Additions	26,207	41,212
Disposals	-	-
Balance at 30 June	**415,120**	**388,913**
Accumulated depreciation		
Opening balance	212,474	123,425
Depreciation for the year	66,923	89,049
Disposals	-	-
Balance at 30 June	**279,397**	**212,474**
Net book value	**135,723**	**176,439**

12. Exploration and evaluation assets

	Consolidated	
	2014 $	2013 $
Exploration and evaluation phases	15,748,622	17,055,933
	15,748,622	**17,055,933**

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.

Consolidated Group	Exploration	Total
	$	$
Balance 1 July 2013	17,055,933	17,055,933
Additions through expenditure capitalised *	3,066,673	3,066,673
Impairment of tenements	(4,373,984)	(4,373,984)
Balance at 30 June 2014	**15,748,622**	**15,748,622**

Exploration and Evaluation expenditure has been carried forward to the extent that it is expected to be recouped through the successful development of the area or where activities in the area has not yet reached a stage that permits reasonable assessment of the existence of economically recovered reserves.

*During the year ended 30 June 2014, a total of $4,373,984 has been taken as an impairment of the consolidated group's exploration and evaluation assets. Of this amount, $4,182,966 relates to the impairment of Exploration Licence Applications within the South Australian Musgrave Region. Whist the Company still considers these areas to be prospective, the board has taken the view that due to the length of time the licences have remained in application phase and the likelihood of these changing status in the near future, the decision has been made to impair these amounts in the current period.

13. 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 Group, 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 without cost to the employee. 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 6 months from the date of such occurrence, and b) the expiry date. If a person dies, the options held by that person will be exercisable by that person's legal personal representative.

  Options cannot be transferred other than to the legal personal representative of a deceased option holder.
- The Company will not apply for official quotation of any options.
- Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.
- Option holders may only participate in new issues of securities by first exercising their options.

The Board may amend the Plan Rules subject to the requirements of the Listing Rules. The expense recognised in the Statement of Profit or Loss and Other 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:

	2014	2014	2013	2013
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	16,450,000	0.32	15,500,000	16,025,000
Granted during the year	575,000	0.12	575,000	0.25
Expired/ lapsed during the year	-	-	(150,000)	0.25
Outstanding at the end of the year	17,025,000	0.32	16,450,000	0.32
Exercisable at the end of the year	**17,025,000**	**0.32**	**16,450,000**	**0.32**

The outstanding balance as at 30 June 2014 is represented by the following options:

Issue Date	Expiry Date	Exercise Price	Number of options outstanding
21/08/2010	20/08/2015	$0.25	7,750,000
17/02/2011	17/02/2016	$0.36	4,750,000
17/02/2011	17/02/2016	$0.50	2,500,000
09/05/2011	08/05/2016	$0.36	500,000
24/01/2012	23/01/2017	$0.25	375,000
06/03/2013	05/03/2018	$0.25	500,000
25/03/2013	24/03/2018	$0.25	75,000
11/03/2014	10/03/2019	$0.12	575,000
			17,025,000

The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 is 1.61 years (2013: 2.50 years).

The range of exercise prices for options outstanding at the end of the year was $0.12 - $0.50 (2013: $0.25 - $0.50).

The weighted average fair value of options granted during the year was $0.052 (2013: $0.041).

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 2014 and 30 June 2013:

	2014	2013
Historical volatility (%)	96%	82%
Risk-free interest rate (%)	3.43%	3.12%
Expected life of option (years)	5	5

14. Trade and other payables

	Consolidated	
	2014 $	2013 $
Trade payables (i)	100,501	94,018
Other payables (ii)	119,189	157,043
	219,690	**251,061**

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 23.

15. Borrowings

	Consolidated	
	2014 $	**2013 $**
Current		
Hire purchase contracts	-	64,587
	-	**64,587**
Non-current		
Hire purchase contracts	-	50,854
	-	**50,854**

Motor vehicles with a carrying value of $83,346 (2013: $100,923) acted as security for the hire purchase liabilities.

16. Provisions

	Consolidated	
	2014 $	**2013 $**
Current		
Annual leave provision:		
Balance at 1 July	90,517	87,060
Net increase/(decrease in provision)	60,559	3,457
Closing balance 30 June	**151,076**	**90,517**
Non-current		
Long service leave:		
Balance at 1 July	13,619	4,182
Net increase/(decrease in provision)	17,294	9,437
Closing balance 30 June	**30,913**	**13,619**

17. Issued capital

	Consolidated	
	2014 $	**2013 $**
121,000,000 fully paid ordinary shares (2013: 121,000,000)	26,718,899	26,718,899
	26,718,899	**26,718,899**

There were no movements in issued capital either in the current year or for the year ended 30 June 2013.

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).

Refer note 13 for details of share options.

18. Reserves

	Consolidated	
	2014 $	**2013 $**
Reserves		
Share option reserve (a)	2,973,818	2,958,083
	2,973,818	**2,958,083**
(a) Share option reserve		
Balance at beginning of financial year	2,958,083	2,944,985
Issue of options to employees under the Employee Share Option Plan	30,015	37,485
Transfer to retained earnings upon lapse of options	(14,280)	(10,710)
Balance at end of financial year	**2,973,818**	**2,958,083**

19. Retained losses

	Consolidated	
	2014 $	2013 $
Balance at beginning of financial year	(3,109,727)	(2,534,628)
Net loss attributable to members of the parent entity	(4,859,861)	(585,809)
Transfer from share option reserve	14,280	10,710
Balance at end of financial year	**(7,955,308)**	**(3,109,727)**

20. Commitments for expenditure

	Consolidated	
	2014 $	2013 $
Operating leases		
Not longer than 1 year	30,063	97,254
Longer than 1 year and not longer than 5 years	-	170,194
	-	**267,448**
Hire purchase commitments		
Not longer than 1 year	-	49,819
Longer than 1 year and not longer than 5 years	-	6,261
	-	**56,080**
Less: future finance charges	-	(2,613)
	-	**53,467**

Exploration leases

In order to maintain current rights of tenure to exploration tenements the Company will be required to spend in the year ending 30 June 2014 net amounts of approximately $1,907,500 (2013: $2,090,000) 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.

21. 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 2014 (2013: $110,000) which act as collateral over the lease of offices at 19 Richardson Street, West Perth and the Company's Visa business credit cards.

22. Auditor's remuneration

	Consolidated	
	2014 $	2013 $
Audit or review of the financial report	29,548	30,264
	29,548	**30,264**

23. Financial risk management

Capital risk management

The Group 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 17, 18 and 19 respectively.

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

	2014	2013
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents	6,139,459	9,565,706
Trade receivables	104,523	123,681
FINANCIAL LIABILITIES		
Payables	219,690	251,061
Borrowings	-	53,467

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 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 $
2014		
Fixed interest rate	3.61	5,310,000
Variable interest rate	1.19	829,459

	Weighted average effective interest rate %	Less than one year $
2013		
Fixed interest rate	4.21	8,410,000
Variable interest rate	2.61	1,155,706

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 $38,863 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 $
2014			
Non-interest bearing	-	219,690	-

	Weighted average effective interest rate %	Less than one year $	Longer than 1 year and not longer than 5 years $
2013			
Interest bearing	8.66	47,293	6,174
Non-interest bearing	-	251,061	-

24. Controlled entities

	Country of incorporation	Ownership interest	
		2014	2013
Name of entity		%	%
Parent entity			
Musgrave Minerals Ltd	Australia		
Subsidiaries			
Musgrave Exploration Pty Ltd	Australia	100	100

25. Parent entity information

	2014	2013
	$	$
Financial Position		
Assets		
Current Assets	6,254,743	9,743,547
Non-current Assets	15,884,345	17,232,372
	22,139,088	**26,975,919**
Liabilities		
Current liabilities	370,766	388,871
Non-current Liabilities	30,913	19,793
	401,679	408,664

	2014	2013
	$	$
Equity		
Issued Capital	26,718,899	26,718,899
Reserves	2,973,818	2,958,083
Retained Earnings	(7,955,308)	(3,109,727)
	21,737,409	26,567,255
Financial Performance		
(Loss) for the year	(4,859,861)	(585,809)
Other comprehensive income	-	-
	(4,859,861)	**(585,809)**

Guarantees

Musgrave Minerals Ltd has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent Liabilities

Contingent liabilities of the parent entity have been incorporated into the Group information in note 21. The contingent liabilities of the parent are consistent with that of the Group.

Contractual Commitments

Contractual Commitments of the parent entity have been incorporated into the Group information in note 20. The contractual commitments of the parent are consistent with that of the Group.

26. 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

Donald Stephens, Company Secretary

Justin Gum, Principal Geologist

Ian Warland, Exploration Manager

Details of key management personnel's remuneration can be found in the remuneration report.

Aggregate remuneration for Key Management Personnel

	Consolidated	
	2014 $	2013 $
Short-term employee benefits	823,307	679,563
Post employment benefits	60,950	49,793
Share-based payments	15,660	21,550
	899,918	**750,906**

Director related entities

During the year, Musgrave Minerals Ltd was invoiced by Mithril Resources Ltd ('Mithril') in relation to expenditure incurred by Mithril on Musgrave's behalf. These transactions were undertaken on an arm's length basis and in aggregate for the year ended 30 June 2014 totalled $90,351 excluding GST (2013: $54,802). A total of $6,862 including GST was outstanding at 30 June 2014 (2013: Nil).

HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation and secretarial services provided during the year amounting to $97,690 including GST (2013: $96,586). A total of $13,489 including GST was outstanding at 30 June 2014 (2013: Nil). Donald Stephens, the Company Secretary, is a consultant with HLB Mann Judd (SA) Pty Ltd.

27. Subsequent events

A number of irregular transactions have come to the attention of the Board in preparing the financial statements for the Group. The Board is presently investigating these irregularities and has engaged independent assistance to review the matter. At the date of signing this report, the transactions are considered immaterial to the Group and the reported results.

Directors' Declaration

In accordance with a resolution of the Directors of Musgrave Minerals Ltd, the Directors of the Company declare that:

1. the consolidated financial statements and notes, as set out on pages 30 to 53, are in accordance with the Corporations Act 2001 and:

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

    b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated Group;

2. 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; and

3. 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 section 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.

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

Mr Graham Ascough
Chairman
30 September 2014

Grant Thornton

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

Report on the financial report

We have audited the accompanying financial report of Musgrave Minerals Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine 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.

Grant Thornton

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

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation 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 Limited is in accordance with the Corporations Act 2001, including:

i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Musgrave Minerals Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 30 September 2014

ASX Additional Information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 30 September 2014.

Distribution of equity securities

	Number of shareholders	Unlisted Options
1 - 1,000	11	-
1,001 - 5,000	41	-
5,001 - 10,000	236	-
10,001 - 100,000	671	9
100,001 and over	185	14
	1,144	**23**

289 holders listed opposite hold an unmarketable parcel (being defined as a minimum parcel of $500 shares, calculated 10,205 shares using a market value of $0.049 on 30 September 2014).

Ordinary share capital

- 121,000,000 fully paid ordinary shares are held by 1,144 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

Options

- 17,025,000 unlisted options are held by 12 option holders. One holder, Mr Robert Waugh and Mrs Sara Waugh <Waugh Family Trust A/C>, holds 5,000,000 unlisted options (equivalent to 29.36% of total unlisted options).

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

Substantial shareholders		
Ordinary shareholders	Fully paid Number	%
Mithril Resources Investments Pty Ltd	9,283,871	7.67%
Independence Group NL	9,027,000	7.46%
	Fully Paid Ordinary Shares	
Ordinary shareholders	Number	%
Mithril Resources Investments Pty Ltd	9,283,871	7.67%
Independence Group NL	9,027,000	7.46%
Barrick (Australia Pacific) Limited	6,000,000	4.96%
Integra Mining Limited	5,516,129	4.56%
Goldsearch Limited	3,654,000	3.02%
Mr William Douglas Goodfellow	1,540,000	1.27%
Allise Pty Ltd	1,500,000	1.24%
Kimbriki Nominees Pty Ltd <Kimbriki Hamilton SF A/C>	1,480,049	1.22%
J P Morgan Nominees Australia Limited	1,389,154	1.15%
Forsyth Barr Custodians Ltd <Forsyth Barr Ltd-Nominee A/C>	1,354,900	1.12%
Mr Chor Leng Tan	1,142,000	0.94%

	Fully Paid Ordinary Shares	
Ordinary shareholders	**Number**	**%**
King Town Holdings Pty Ltd <Employee Super Fund A/C>	1,095,000	0.90%
Amalgamated Dairies Limited	1,000,000	0.83%
Hipete Pty Limited	1,000,000	0.83%
Premar Capital Nominees Pty Ltd	1,000,000	0.83%
Octifil Pty Ltd	800,000	0.66%
Mr Stephen Simunovic + Mr Dragan Simunovic <Simunovic Superfund A/C>	795,000	0.66%
Citicorp Nominees Pty Limited	704,590	0.58%
Kavalex Pty Limited	700,000	0.58%
Unaval Nominees Pty Ltd <Unaval Retirement Fund A/C>	675,000	0.56%
	49,656,693	**41.04%**

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