



ANNUAL REPORT 2015

Musgrave Minerals is an Australia focused gold and base metal exploration company.

ASX: **MGV**

Musgrave Minerals Limited is an Australia focused gold and base metal exploration company.

Musgrave plans to grow through the exploration discovery and development of gold and base metal resources.

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

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

ASX Code: **MGV**

Issued Shares: **121M**

Cash Balance: **\$3.7M (as of 30 June 2015)**

ABN: **12 143 890 671**

Top Shareholders

Mithril Resources Ltd
Independence Group NL
Barrick (Australia Pacific) Ltd
Silver Lake Resources Ltd

Cover photo:

Reverse circulation drilling at the Mamba project in the Fraser Range of Western Australia.

Corporate Information

Directors

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

Company Secretary

Patricia (Trish) Farr

Registered Office & Principal Place of Business

28 Richardson Street
West Perth, 6005
Western Australia
T: +61 (8) 9324 1061
F: +61 (8) 9324 1014
info@musgraveminerals.com.au
www.musgraveminerals.com.au

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth, 6000
Western Australia

Auditor

Grant Thornton Audit Pty Ltd
Chartered Accountants
Level 1, 10 Kings Park Road
West Perth, 6005
Western Australia

Legal Advisors

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

Contents

Chairman's Letter	2
Review of Operations	3
Summary of Tenements	11
Directors' Report	12
Corporate Governance Statement	20
Auditor's Independence Declaration	28
Statement of Comprehensive Income	29
Statement of Financial Position	30
Statement of Changes in Equity	31
Statement of Cash Flows	32
Notes to the Financial Statements	33
Directors' Declaration	50
Independent Auditor's Report	51
ASX Additional Information	54



Chairman's Letter

Dear Fellow Shareholder,

It is my pleasure to welcome you to Musgrave Minerals Limited's (ASX: MGV) Annual Report for the year ending 30 June 2015.

The past year has not been an easy one for our Company, similarly to many of our peers focused on early-stage mineral exploration. Market conditions remain difficult however we will continue to be an active explorer, developing and testing targets across our projects and evaluating new opportunities on a continuous basis to grow the Company. Our share price has not reflected the hard work and dedication of our exploration team and I believe that this is largely due to the difficult market conditions. I assure you we are working as hard as possible to provide value to our Shareholders, and to ensure we maximise in-ground expenditure we have undertaken a number of measures in the past year to reduce overheads and increase efficiency. As a result the Company has reduced staff and relocated our registered office and register of securities to Perth in recent months.

As a result of the relocation of corporate activities Donald Stephens retired as Company Secretary. We thank Mr Stephens for his contribution to the Company since our listing and wish him well. Mrs Patricia Farr has been appointed as Company Secretary and we welcome Mrs Farr to the Musgrave team.

A strategic review of our projects and exploration activities led us to terminate our earn-in agreement with Menninnie Metals Pty Ltd ("MMPL") in regards to the Menninnie Dam Project in the Southern Gawler Craton of South Australia. As part of the termination, MMPL

agreed to pay Musgrave an amount equal to 1% of net smelter returns ("NSR") in respect of all minerals produced from the Menninnie Dam and Nonning exploration licences, or buy back 50% of this NSR for \$1.25M within 60 days of receiving sale proceeds from either of these tenements. Musgrave believes this was an excellent outcome for the Company.

Going forward, the Company will focus on existing projects in our portfolio including our Mamba Project in the Fraser Range region of Western Australia, which continues to gain attention as a mineral province and is home to the world-class Nova-Bollinger nickel-copper sulphide deposits, and the Corunna Project in the Gawler Craton of South Australia. We also progressed targets at our Mimili Project in the Musgrave region during the year, and will follow up the Roslin zinc target and Zarek nickel-copper gossan with drilling in the coming months after securing financial support from the South Australian Government to do so. We are also continuing to focus on obtaining a new gold or base metal project within Australia to balance our current project portfolio.

In closing, I wish to thank our management and staff for their hard work and dedication over the past year, as well as our Shareholders for your support. I hope this will continue into the coming year, and I look forward to reporting more progress across our project portfolio.



Graham Ascough
Chairman



Review of Operations

Musgrave Minerals Limited (ASX: MGV) is an Australia focused gold and base metal exploration company. Musgrave plans to grow through the exploration discovery and development of gold and base metal resources within Australia. We are currently focused on base metal, gold and silver exploration in the Fraser Range of Western Australia and the Musgrave Range and Gawler Craton regions of South Australia (Figure 1).

Corporate

During the past year, Musgrave Minerals spent \$2.29 million on exploration activities.

During the second half of the year, the Company implemented a significant reduction in staffing, corporate and administration costs aligned with market conditions and a review of projects and exploration activities. As a function of this process Musgrave relocated its registered office and register of securities to Perth. Coinciding with this, Mr Donald Stephens retired as Company Secretary and Mrs Patricia (Trish) Farr, based in West Perth, was appointed as his replacement.

On February 12, 2015 the Board informed the market that investigations into a number of irregular transactions previously reported in the financial statements for the year ended 30 June 2014, had been completed. The investigations identified that the amount of funds involved in the irregular transactions

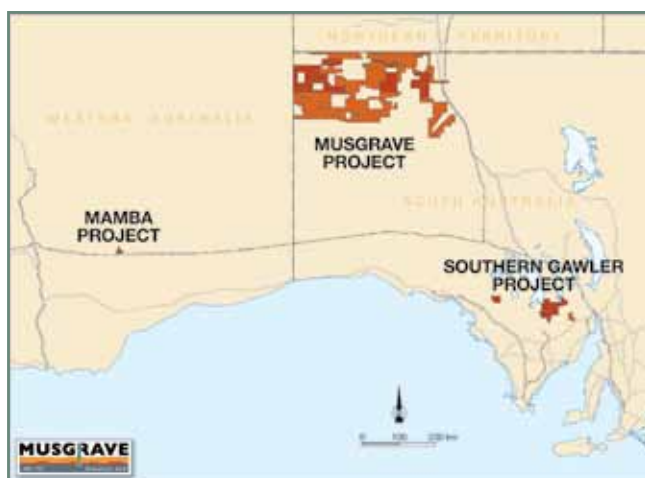


Figure 1: Musgrave Minerals' Project Location Map

was \$468,772 (of which \$95,447 occurred in the period 1 January 2014 to 30 June 2014). The irregularities are consistent with the fraudulent misappropriation of Company funds. An employee of the Company was suspended pending the investigation and terminated in September 2014.

These irregularities were brought to the attention of the Major Fraud Squad, Western Australia Police for investigation and prosecution. As a result the matter is currently before the WA Courts.

The Directors of Musgrave are pursuing various avenues for recovery of the funds and to date \$36,043 has been returned to the Company.

During the June quarter, Musgrave received \$895,575 from the Australian Tax Office under the Federal Government's Research and Development Tax Incentive Scheme for its research and development activities during the 2014 financial year. Musgrave has strong links with government and research organisations in the regions in which it operates including the Geological Survey of South Australia and the Commonwealth Scientific and Industrial research Organisation ("CSIRO").

Musgrave Minerals continues to assess a large range of gold and base metal projects for joint venture or acquisition within Australia.

At the end of June 2015, the Company was well-resourced with \$3.7 million in cash.

There was no change to the number of ordinary shares on issue during the year which is currently 121M shares.

Exploration Activities

The Company's exploration during the 2015 financial year focused on planning and implementation of field programs for the Mamba project in Western Australia and the Coronna project in South Australia. Diamond drilling was undertaken at the Pallatu targets on the Deering Hills project in the Musgrave province of South Australia along with diamond drilling and ground electromagnetic ("EM") surveys at Menninnie

Dam. Towards the end of the financial year drilling commenced at the Mamba project in the Fraser Range of WA and at the Corunna project in SA.

Fraser Range

Mamba Project

E28/2405 (100% Musgrave Minerals Ltd)

- The project is located in the same belt as the world class Nova-Bollinger nickel-copper deposits
- Late-time basement EM conductors identified
- RC drilling on the M8 conductor identified chalcopyrite (copper sulphide) and low level Pt (platinum) and Pd (palladium) in RC chips

The Mamba tenement covers 180km² 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 2). The project is on a significant regional gravity high, which is interpreted to represent a large accumulation of mafic rocks prospective for massive nickel-copper sulphide mineralisation.

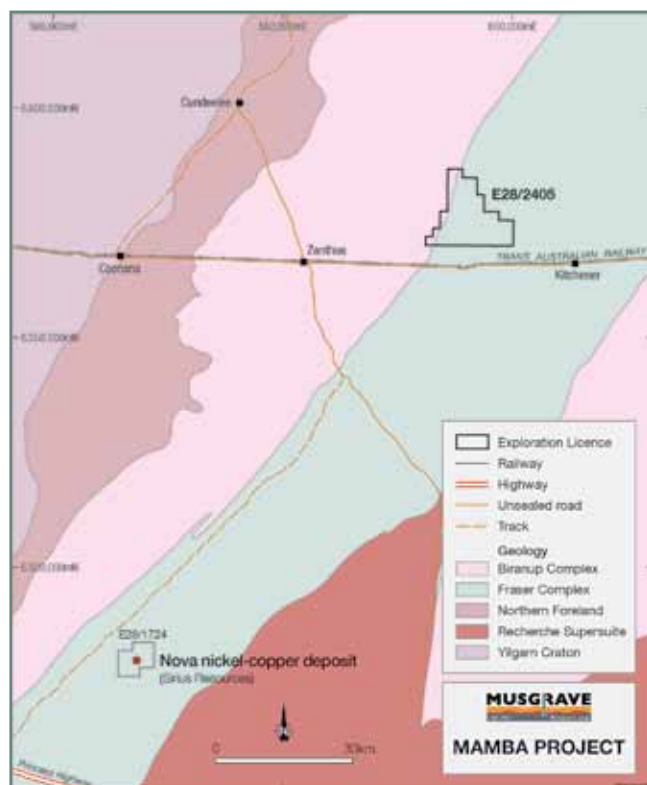


Figure 2: Location of Musgrave's Mamba Project

Musgrave was granted the tenement on 5 February 2015.

The Company commenced a detailed aeromagnetic survey over the Mamba project in late August that covered the entire tenement at 100m line spacing. The survey identified 11 high priority targets that showed magnetic characteristics consistent with mafic-ultramafic intrusive bodies, the prospective host for nickel-copper sulphide mineralisation in the district. These magnetic targets are comparable in size to Sirius's Nova "Eye" feature.

A heritage survey has been completed over the entire tenement area, and following a detailed interpretation of aeromagnetic survey data and integration with historical exploration data, 11 priority targets were identified and followed up with a combination of high powered fixed and moving loop EM surveys. This identified three late-time basement ground EM conductors. The strongest conductor, M8, was a high conductance late-time basement response in an area of no previous drilling and interpreted shallow sedimentary cover, making surface geochemistry ineffective. The relatively high conductance for the ground EM model (>10,000S) was consistent with the response expected for massive Ni-Cu sulphide mineralisation or semi-massive graphite + Fe-sulphide horizon.

In June-July 2015 Musgrave completed a two-hole, 806m reverse circulation ("RC") drilling program to test the M8 EM bedrock conductor. The drill holes intersected a combination of stringer pyrrhotite and pyrite with minor chalcopyrite and graphite within a sequence of mafic and intermediate granulite. A down hole electromagnetic ("DHEM") survey was completed which confirmed the source of the surface EM conductor was intersected in the drill holes.

Geological logging of RC chips was completed on site and samples collected for multi-element assay and petrological studies. Maximum values occurred in MAMRC001 from 360m to 364m.

- 4m at 73.5ppb Au, 2.2g/t Ag, 705ppm Cu, 147ppm Ni, 19.8 ppb Pd and 18.3ppm Mo from 360m.
- Including 1m at 214ppb Au, 2.4g/t Ag, 730ppm Cu, 159ppm Ni and 19ppm Mo from 363m.

Although the assay results were disappointing and the minor sulphides of low tenor, there is geochemical evidence to suggest the sulphides may have links to magmatic processes. These magmatic processes are key in the formation of nickel-copper sulphide deposits. As such the tenement area is considered to remain prospective for Ni-Cu-PGE sulphides, as well as gold mineralisation.

The next stage of exploration is to complete a gravity survey across the entire tenement and use this data in conjunction with existing detailed magnetics to generate aircore drill targets. It is then proposed to drill these targets to test for both Ni-Cu and Au mineralisation and confirm prospective near surface lithologies.



Geological logging - Mamba



DHEM set up - Mamba



RC drilling at Mamba

Musgrave Region Projects

Deering Hills Project

EL5172, EL5173 & EL5317 – (100% Musgrave Minerals Ltd)

- Disseminated sulphide intersected at two targets at Pallatu
- Same geological domain that hosts Nebo-Babel nickel-copper deposits

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

The Company completed two holes for 441m at the Pallatu 6 & 7 ground EM targets and intersected disseminated sulphide at both targets in July 2014. A down-hole EM survey was undertaken but did not identify any strong off-hole conductors.

The targets are 1km from previously intersected massive and disseminated nickel sulphide mineralisation at Pallatu 3 and in the same geological domain that hosts the large Nebo-Babel nickel-copper sulphide deposits. Approximately 20km of untested contact prospective for massive nickel-copper sulphide at Pallatu and Deering Hills has been identified to date.

Musgrave is currently seeking a joint venture partner to maximise the value in the Pallatu and Deering Hills targets.

Mimili Project

EL5175 (100% Musgrave Minerals Ltd)

- New zinc-copper target identified at Roslin prospect
- Nickel-copper gossan identified at Zarek prospect

The Mimili Project consists of one wholly-owned exploration licence located in the eastern portion of the

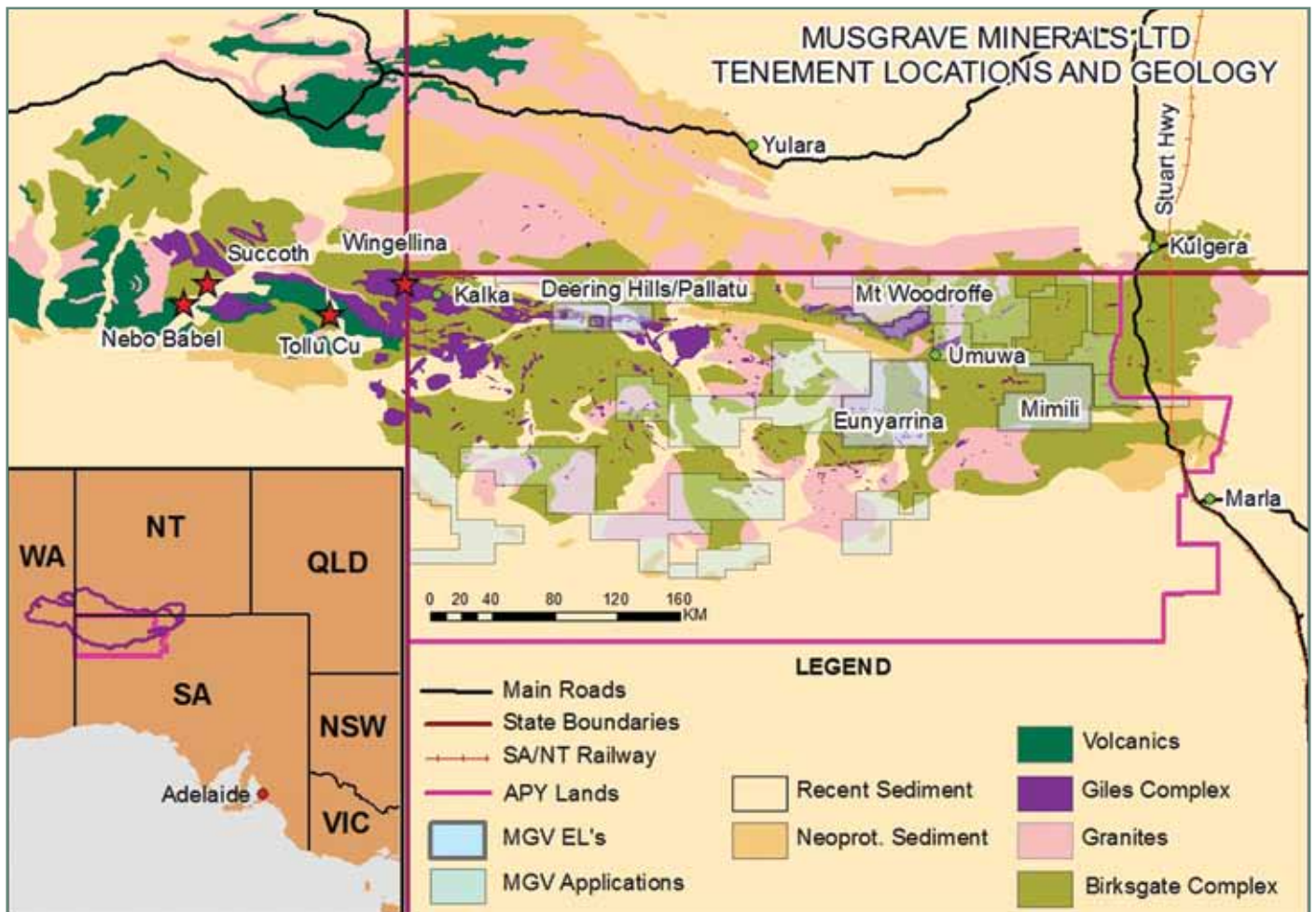


Figure 3: Location of MGV's Musgrave Geological Province tenements, South Australia

Musgrave region (Figure 3) following the surrender of tenement EL5174 during the September quarter.

A new nickel-copper gossan has been identified at the Zarek prospect. Follow-up surface geochemistry has identified a 200m long Ni, Cu, Co geochemical anomaly associated with the gossan on the margin of a discrete gabbroic intrusive. The gossan and geochemical response may reflect the surface expression of weathered nickel-copper sulphide mineralisation. Ground EM is required to test for a conductive response below the geochemical target.

The Company undertook ground EM surveys within EL5175 on a number of co-incident magnetic, gravity and geochemical targets at Mimili. It identified a basement EM conductor at the Roslin target with co-incident anomalous Zn, Cu and Co in surface soil and gossanous rock chip samples. Roslin is only 10km east of Zarek (Figure 4). Further work is required to refine the target prior to drilling.

Musgrave was successful in securing funds to drill test Zarek and Roslin, with the Company eligible to receive \$90,000 for drilling through the South Australian Government's Plan for Accelerating Exploration ("PACE") Frontiers Initiative. The grant is subject to Musgrave matching 50% of direct drilling costs and completing the drilling program before 1 May 2016.

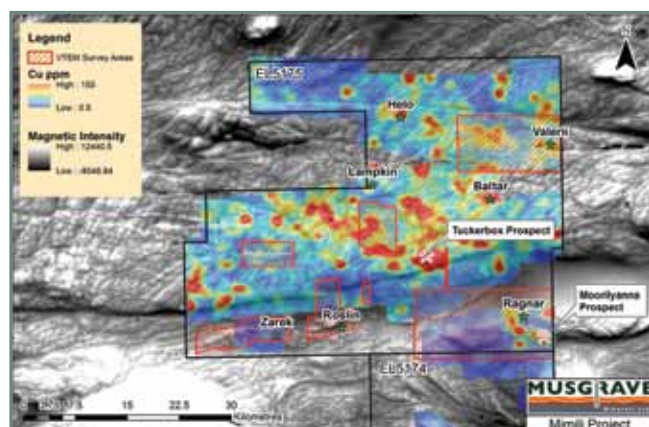


Figure 4: Location of Roslin and Zarek Targets, South Australia

Other Musgrave Projects

EL5171 & EL4850 (100% Musgrave Minerals Ltd)

No significant exploration was undertaken on EL5171 (Mt Woodroffe) and EL4850 (Eunyarinna Hill) during the year. Musgrave surrendered three low-priority tenements, EL4851, EL4852 and EL4853, during the June quarter as part of the Company's strategic review.

Southern Gawler Project

Corunna Project

EL5497 (100% Musgrave Minerals Ltd)

- Anomalous lead, zinc and silver identified in aircore drilling at the Corunna project in South Australia
- Anomalous silver-lead-zinc zone identified over 300m strike and open to north and south
- Results include:
 - o 11m @ 1.0% Pb, 0.5% Zn and 4.2g/t Ag from 19m
 - o 22m @ 0.5% Pb, 0.2% Zn and 13.2g/t Ag from 17m

The Corunna tenement covers an area of 260km² located approximately 50km west of Port Augusta, well

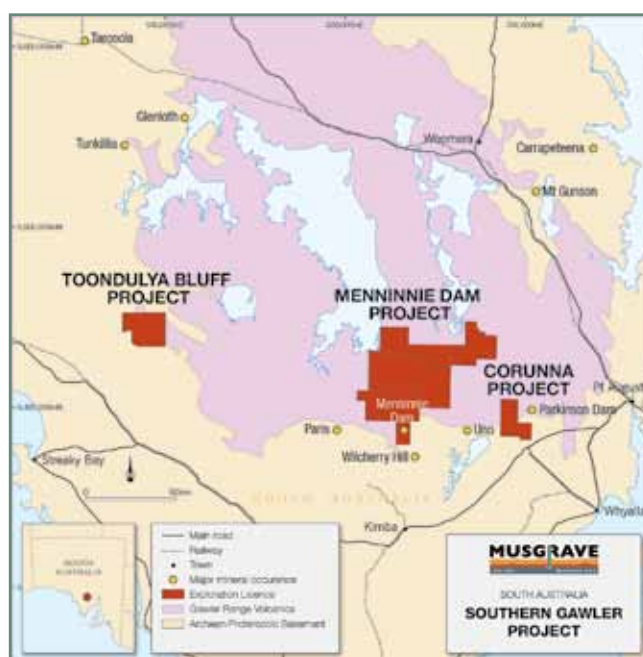


Figure 5: Location of Musgrave's Southern Gawler Projects in South Australia

positioned in regards to infrastructure and proximity to the coast (Figure 5). It 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. The Coronna exploration licence was granted in October 2014.

Recent exploration at Coronna by previous tenement holders focused on uranium. Musgrave's examination of historic open file data has identified low level regional multi-element soil sampling results of interest. The historical survey assayed for a full suite of elements including Ag, Au, base metals and path finder elements on a nominal 400m grid. From this, the Company identified six high-priority silver-lead-zinc-copper geochemical targets and completed infill soil geochemistry.

Musgrave established a Native Title Access Agreement with Barngarla Aboriginal Corporation in the December quarter to enable exploration access, and completed a heritage survey in the June quarter. This allowed the Company to commence drilling.

Musgrave is eligible to receive up to \$55,000 for drilling at Coronna through the South Australian Government's PACE Frontiers Initiative. The grant was subject to Musgrave matching 50% of direct drilling costs and completing the drilling program before 1 May 2016.



Aircore drilling comprising 49 holes for a total of 1,740m was completed over the targets with five holes intersecting base metals greater than 0.5%, with anomalous silver. Drill hole depths varied from 9m to 58m, with all holes terminating at the fresh rock interface.

Anomalous Ag, Pb and Zn was identified at target Area 1 on the western side of the tenement (Figure 6). The best intersection include 11m @ 1.0% Pb, 0.5% Zn and 4.2g/t Ag from 19m in drill hole COAC017; 13m @ 0.6% Pb, 0.4% Zn and 7.2g/t Ag from 32m in drill hole COAC019 and 22m @ 0.5% Pb, 0.2% Zn and 13.2g/t Ag from 17m in drill hole COAC021.

The anomalous zone is 300m long and open to the north and south. The results show there is potential for lead-zinc-silver mineralisation in this under-explored region. All data is currently being reviewed in preparation for further exploration to follow-up this encouraging result.

Toondulya Bluff Project

EL5403 (100% Musgrave Minerals Ltd)

The Toondulya Bluff tenement, in the Southern Gawler Craton, covers 390km² and is prospective for high-grade gold mineralisation. Historical exploration data is currently being compiled to identify targets and plan for further exploration.

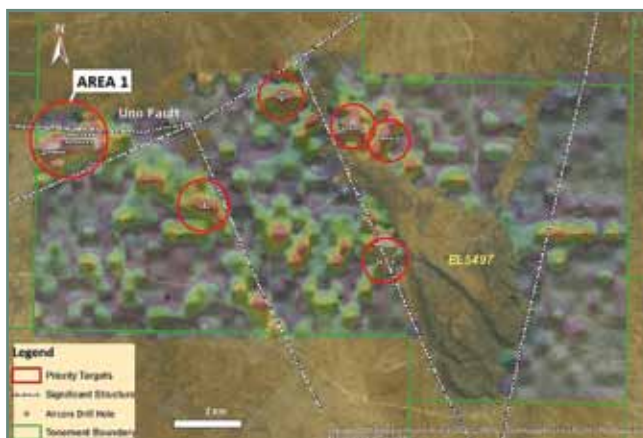


Figure 6: High Priority Epithermal Ag-Pb-Zn-Cu Targets Shown on Gridded Silver Soil Geochemical Image with Landsat Backdrop

Menninnie Dam Project

EL5039, 4813, 5453 (formally 4285), 4669, 4865

Menninnie Dam comprises five Exploration Licences covering a contiguous area of 2,471km² in the Gawler Craton, about 100km west of Port Augusta (Figure 5).

During the December quarter, Musgrave completed a six drill hole program to test three base metal targets at Menninnie. A combination of diamond and RC drilling was completed totalling 1,495m.

No significant mineralisation was encountered in the drilling.

A ground EM survey was also completed over the Taal target area but failed to define a significant bedrock conductor.

During the March quarter, Musgrave completed all drill, site and track rehabilitation and undertook a review of all available data.

Following a strategic review of the Company's project portfolio and subsequent to the end of the reporting period, Musgrave agreed with MMPL, a wholly-owned subsidiary of Terramin Australia Ltd (ASX: TZN) to

terminate its Menninnie Dam Mining Farm-In and Joint Venture Agreement. As part of the termination, MMPL agreed to pay Musgrave an amount equal to 1% NSR in respect of all minerals produced from each of EL5039 (Menninnie Dam) and EL4813 (Nonning). MMPL has the right (but not the obligation) to buy back 50% of the NSR (being 0.5%) for \$1,250,000 within 60 days of first receiving product sales proceeds from any of these tenements.

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 focused on new understandings and data interpretations that can be applied to our exploration in the Musgrave Province. We have also instigated research into developing a new geological model and techniques to improve exploration efficiency and increase the probability of success 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 on our current and potential future project portfolio.



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.

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 (km ²)	MGV Interest
EL4850		Musgrave	SA	Granted	2385	100%
EL5171	EL3941	Musgrave	SA	Granted	427	100%
EL5172	EL3942	Musgrave	SA	Granted	565	100%
EL5173	EL3953	Musgrave	SA	Granted	714	100%
EL5175	EL3955	Musgrave	SA	Granted	1908	100%
EL5317		Musgrave	SA	Granted	12	100%
EL5205	EL4047	Musgrave PMC JV	SA	Granted	1535	0% (may earn up to 75%)
EL5403		Toondulya Bluff	SA	Granted	380	100%
EL5497		Corunna	SA	Granted	260	100%
E28/2405		Mamba	WA	Granted	180	100%
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%

Directors' Report

Your Directors present their report on Musgrave Minerals Ltd and its subsidiary ("the Group") for the financial year ended 30 June 2015.

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 25 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 (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.

Other directorships:

None

Mrs Kelly Ross

BBus, CPA, AGIA (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 Practising Accountants. Mrs Ross is a Chartered Secretary with over 25 years' experience in accounting and

administration in the mining industry and was the Company Secretary of Independence Group NL (“IGO”) for 10 years from 2001 to 2011. Mrs Ross was also a senior accountant at Resolute Ltd from 1987 to 2000. Mrs Ross was a Non-Executive Director of ASX listed Independence Group NL for 12 years from 2002 to 2014. Mrs Ross retired from IGO on 24 December 2014. Mrs Ross is the chair of the Company’s audit committee.

Former directorships:

Independence Group NL (Retired 24 December 2014)

Other directorships:

None

Mr John Percival

(Non-Executive Director), Director since 26 May 2010

Mr 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. In 1995 Mr Percival was appointed to the Board of Goldsearch Limited and in 2000 became an Executive Director. In May 2014 Goldsearch changed direction and Mr Percival resigned his executive position. In May 2015 Mr Percival was appointed as a Non-Executive Director of Verde Science Inc. a Pharmaceutical Cannabinoid based research company listed in the USA.

Other directorships:

Goldsearch Ltd (Appointed 11 October 1995)

Company Secretary

Mr Donald Stephens

BAcc, FCA (Company Secretary) – retired 30 June 2015

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) Pty Ltd, a firm of Chartered Accountants. He is a director of Mithril Resources Ltd, Lawson Gold Ltd, Petrathem Ltd, and was formerly a director of TW

Holdings Ltd (resigned 14 December 2012), Papyrus Australia Ltd (retired 24 August 2015) and Reproductive Health Science Ltd (resigned 31 August 2015). Additionally, he is Company Secretary to Highfield Resources Ltd, Minotaur Exploration Ltd, Mithril Resources Ltd and Petrathem Ltd. He holds other public company secretarial positions and directorships with private companies and provides corporate advisory services to a wide range of organisations.

Mrs Patricia (Trish) Farr

GradCertProfAcc, GradDipACG, AGIA, ACIS, GAICD (Company Secretary) – appointed 30 June 2015

Trish Farr is an experienced Chartered Secretary with over 17 years’ experience in the exploration and mining industry in the areas of corporate governance, compliance and administration. Mrs Farr was previously the Company Secretary of uranium junior Energy Metals Limited from its listing in 2005 to 2010 and Fox Resources Ltd from 2013 to 2014. Mrs Farr is also a Director and the Company Secretary of Jindalee Resources Limited. Mrs Farr is an associate member of Chartered Secretaries & Administrators and the Governance Institute of Australia (formerly Chartered Secretaries Australia) and a graduate member of the Australian Institute of Company Directors.

Interests in the shares, performance shares and options of the Company and related bodies corporate

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

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Graham Ascough	595,000	750,000
Robert Waugh	361,000	5,000,000
John Percival	200,000	500,000
Kelly Ross	50,000	500,000

Dividends

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.

Functional currency

The functional and presentational currency for the Group is Australian dollars and unless otherwise stated, all amounts listed in this report refer to Australian dollars.

Significant changes in the state of affairs

No significant changes in the state of affairs occurred during the financial year.

Significant events after the reporting date

On 27 July 2015, the Group announced the termination of the Menninnie Dam Joint Venture with Menninnie Metals Pty Ltd (“MMPL”), a wholly owned subsidiary of Terramin Australia Ltd. In conjunction with the agreement, MMPL has agreed to pay Musgrave an amount equal to 1% of net smelter returns (“NSR”) in respect of all minerals produced from each of EL5039 (Menninnie Dam) and EL4813 (Nonning). MMPL has the right (but not the obligation) to buy back 50% of the NSR (being 0.5%) for \$1,250,000 within 60 days of

first receiving product sales proceeds from any of these tenements.

Likely developments and expected results

The Group intends to continue to pursue the objectives outlined in the principal activities for the Group. The Group is still at the point of exploration on its exploration ground. No comment on the expected results from these efforts is included in this report.

Environmental regulation and performance

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 Western Australia and the Group followed procedures and pursued objectives in line with guidelines published by the South Australian and Western Australian Governments. 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.

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, the Company aims to protect the health, safety and welfare of employees, contractors

and guests. For the reporting year ended 30 June 2015, the Company experienced one lost time injury. The Company reviews its Health and Safety policy at regular intervals to ensure a high standard of Health and Safety.

Share options

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 Jul 2014	Options Lapsed	Balance at 30 Jun 2015
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
19/04/2011	19/04/2016	\$0.25	7,750,000	-	7,750,000
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
24/03/2013	24/03/2018	\$0.25	75,000	-	75,000
11/03/2014	10/03/2019	\$0.12	575,000	(25,000)	550,000
			17,025,000	(25,000)	17,000,000

No shares were issued during the year as a result of the exercise of options. No additional options were issued during the financial year. On 16 September 2015, 1,025,000 unlisted options which had been cancelled due to an administrative oversight were re-issued and are included in the table above.

Indemnification and insurance of directors and officers

The Company paid a premium during the year in respect of directors' and officers' liability insurance policy, insuring the Directors and officers of the Company against a liability incurred whilst acting in the capacity of a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the policy as such disclosure is prohibited under the terms of the contract of insurance.

Indemnification of auditors

The Group has not entered into an agreement with its current auditors indemnifying them against claims by a third party arising from their position as auditor.

Directors' meetings

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

	Directors' Meetings		Audit Committee	
	Eligible	Attended	Eligible	Attended
Graham Ascough	11	11	2	2
Robert Waugh	11	11	2	2
Kelly Ross	11	11	2	2
John Percival	11	11	2	2

Audit and risk committee:

Kelly Ross (Chairman)
Graham Ascough
Robert Waugh
John Percival

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

Auditor

Grant Thornton Audit Pty Ltd is in office in accordance with section 327 of the Corporations Act 2001.

Non-audit services

Grant Thornton Audit Pty Ltd, in its capacity as auditor for Musgrave Minerals Ltd, has not provided any non-audit services during the financial year. The auditor's independence declaration for the year ended 30 June 2015 as required under section 307C of the Corporations Act 2001 has been received and can be found on page 28.

Remuneration report (audited)

This Remuneration Report for the year ended 30 June 2015 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

Introduction

The remuneration report details the remuneration arrangements for key management personnel ("KMP")

who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

i. Non-Executive Directors and Managing Director

Mr Graham Ascough
(Chairman), appointed 26 May 2010

Mr Robert Waugh
(Managing Director), appointed 6 March 2011

Mrs Kelly Ross
(Non-Executive Director), appointed 26 May 2010

Mr John Percival
(Non-Executive Director), appointed 26 May 2010

ii. Other KMPs

Mr Donald Stephens
(Company Secretary), retired 30 June 2015

Mrs Patricia Farr
(Company Secretary), appointed 30 June 2015

Mr Justin Gum
(Principal Geologist), ceased employment 11 March 2015

Mr Ian Warland
(Exploration Manager), ceased employment 7 August 2015

Remuneration philosophy

The Board is responsible for determining remuneration policies applicable to Directors and senior executives of the entity. The broad policy is to ensure that remuneration properly reflects the individual's 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 position.

Use of Remuneration Consultants

Independent external advice is sought from remuneration consultants when required, however no advice has been sought during the year ended 30 June 2015.

Voting and comments made at the Company's 2014 Annual General Meeting ("AGM")

Musgrave Minerals Ltd's motion in relation to the approval of the 2014 remuneration report passed with a vote total of more than 95% at the AGM held on 26 November 2014. The Company did not receive any specific feedback at the 2014 AGM on its remuneration report.

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 fee pool shall be determined from time to time by a general meeting. The last determination disclosed in the Company's replacement prospectus dated 8 March 2011 approved an aggregate fee pool of \$250,000 per year. The Board will not seek any increase for the Non-Executive Director pool at the Company's 2015 Annual General Meeting.

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 with his current gross annual salary, inclusive of 9.5% superannuation guarantee, being \$291,330. 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, were formalised in a contract of employment. Mr Warland commenced employment on 6 March 2013 and his gross annual salary, inclusive of superannuation guarantee was \$218,000. Either party could 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, were formalised in a contract of employment. Dr Gum commenced employment on 1 October 2010 and his gross annual salary, inclusive of superannuation guarantee, was \$171,675. Either party could 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.



Table 1: Remuneration of key management personnel

	Financial Year	Salary and fees \$	Short term benefits \$	Share based payments \$	Post-employment/ Super-annuation \$	Total \$	Remuneration consisting of options %
G Ascough *	2015	65,000	-	-	-	65,000	-
	2014	65,000	-	-	-	65,000	-
R Waugh	2015	256,985	-	-	24,414	281,399	-
	2014	256,414	-	-	23,718	280,132	-
K Ross *	2015	45,000	-	-	4,275	49,275	-
	2014	45,000	-	-	4,163	49,163	-
J Percival	2015	49,388	-	-	-	49,388	-
	2014	49,163	-	-	-	49,163	-
J Gum	2015	148,160	-	-	14,042	162,202	-
	2014	157,500	-	5,220	14,569	177,289	2.9%
I Warland	2015	194,697	-	-	18,496	213,193	-
	2014	201,180	-	10,440	18,500	230,120	4.5%
D Stephens *	2015	39,525	-	-	-	39,525	-
	2014	49,050	-	-	-	49,050	-
FY 15		798,755	-	-	61,227	859,982	
FY 14		823,307	-	15,660	60,950	899,917	

* 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 was a Non-Executive Director of Independence Group NL (retired 24 December 2014) which is the beneficial holder of 7.46% of the issued capital of Musgrave Minerals Ltd.

No element of remuneration of the key management personnel listed above was performance based. Whilst as discussed in the remuneration philosophy, consideration is given to financial performance, there is no direct relationship between KMP remuneration and the Company's performance in the last 5 years.

Table 2: Option holdings of key management personnel

	Opening Balance 1 July	Granted as Remuneration	Options Exercised	Net change other	Balance at 30 June
G Ascough	750,000	-	-	-	750,000
R Waugh	5,000,000	-	-	-	5,000,000
J Percival	500,000	-	-	-	500,000
K Ross	500,000	-	-	-	500,000
D Stephens	500,000	-	-	-	500,000
J Gum	600,000	-	-	(600,000)	-
I Warland	700,000	-	-	-	700,000
	8,550,000	-	-	-	7,950,000

Table 3: Shareholdings of key management personnel – ordinary fully paid shares

	Opening Balance 1 July	Granted as Remuneration	Options exercised	Net change other	Balance at 30 June
G Ascough	200,000	-	-	395,000	595,000
R Waugh	80,000	-	-	281,000	361,000
J Percival	200,000	-	-	-	200,000
K Ross	50,000	-	-	-	50,000
J Gum	80,000	-	-	-	80,000
	610,000	-	-	676,000	1,286,000

Other transactions and balances with key management personnel and their related parties

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 2015 totalled \$96,039 excluding GST (2014: \$90,351). A total of \$4,476 including GST was outstanding at 30 June 2015 (2014: \$6,862).

During the year, Musgrave Minerals Ltd invoiced Mithril in relation to expenditure incurred by Musgrave on Mithril’s behalf. These transactions were undertaken on an arm’s length basis and in aggregate for the year ended 30 June 2015 totalled \$11,513 excluding GST (2014: \$7,133). No amounts were outstanding at 30 June 2015 (2014: \$Nil).

During the year, Musgrave Minerals Ltd invoiced Avalon Minerals Limited (“Avalon”) in relation to work performed for a geophysical review performed for Avalon. This work was undertaken on an arm’s length

basis and in aggregate for the year ended 30 June 2015 totalled \$12,898 excluding GST (2014: \$Nil). No amounts were outstanding at 30 June 2015 (2014: \$Nil).

HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation, secretarial and transactional services provided during the period amounting to \$117,618 including GST, (2014: \$97,690). A total of \$8,250 including GST was outstanding at 30 June 2015 (2014: \$13,489). Donald Stephens, the former Company Secretary, is a consultant with HLB Mann Judd (SA) Pty Ltd.

End of Remuneration report.

Signed in accordance with a resolution of the Directors.



Mr Graham Ascough
Chairman

25 September 2015

Corporate Governance Statement

Musgrave Minerals Limited (“the Company”) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of Shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

A description of the Group’s main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

On 27 March 2014, the ASX Corporate Governance Council released the 3rd Edition of its Corporate Governance Principles and Recommendations (Recommendations). The Group has reviewed its corporate governance and reporting practices against the Recommendations during the year ended 30 June 2015. The disclosures in this Corporate Governance Statement reflect this and, as at the date of this statement, the Group complies with the Recommendations (unless otherwise stated).

Principle 1: Lay solid foundations for management and oversight

The relationship between the Board and Senior Management is critical to the Group’s long-term success. The Directors are responsible to Shareholders for the performance of the Group in both the short and the longer term and seek to balance objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of Shareholders and other key stakeholders and to ensure the Group is properly managed.

Roles and Responsibilities of the Board and Management

The responsibilities of the Board include:

- providing strategic guidance to the Group including contributing to the development of and approving the corporate strategy;

- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- overseeing and monitoring the organisational performance and the achievement of the Group’s strategic goals and objectives;
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company’s Auditors;
- appointment and performance assessment of the Managing Director;
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team, including the Company Secretary;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organisation;
- overseeing the operation of the Group’s system for compliance and risk management reporting to Shareholders; and
- ensuring appropriate resources are available to Senior Management.

Day to day management of the Group’s affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director. This delegation is reviewed on an annual basis.

A copy of the Board Charter outlining the respective roles and responsibilities of the Board and management is available from the Company’s website.

Director Checks

The Company performs checks on all potential Directors which include checks on a person’s character, experience, education, criminal record and bankruptcy history. Potential Directors are required to provide their consent for the Company to conduct any background or other such checks and also acknowledge they will have sufficient time available to fulfill their responsibilities as Director of the Company.

Newly appointed Directors must stand for reappointment at the next Annual General Meeting (“AGM”) of the Company. The Notice of Meeting for the AGM provides shareholders with information about each Director standing for election or re-election including details regarding the length of their tenure, relevant skills and experience.

Written Agreements with Directors

The Company has entered into a Service Agreement with its Managing Director Mr Robert Waugh and all other senior executives are subject to employment agreements with standard commercial terms which are summarised in the Directors’ Report.

Non-Executive Directors have entered into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board’s policies and terms of appointment, including compensation relevant to the office of Director.

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. All Directors have access to the Company Secretary.

Details of the qualifications and experience of the Company Secretary are provided in the Directors’ Report contained within the Annual Report.

The decision to appoint or remove the Company Secretary is made and approved by the Board.

Diversity

The Company has a Diversity Policy, which documents the principles and commitment in relation to maintaining a diverse Group of employees within the Company. This policy is disclosed on the Company’s website. The Company however has not fully complied with recommendation 1.5 in that it has not set measurable objectives for achieving gender diversity. The Board continues to monitor diversity across the Group and is satisfied with the current level of gender diversity within the Company as disclosed below. Due to the size of the Company, its activity level and small

number of employees, the Board does not consider it appropriate at this time to formally set measurable objectives for gender diversity. The total proportion of men and women on the Board, in senior positions and across the whole organisation is listed below:

Category	Men	Women
Board	3	1
Senior Management (excluding the managing director captured above)	2	1
Whole Organisation	6	3

Assessment of Board Performance

The Group has a policy of reviewing the performance of its Board, its Committees and individual Directors on an annual basis. The process is managed by an independent Non-Executive Director and feedback is received from the Chairman. This review involves the performance of the Board against agreed strategic goals. A review was underway but incomplete during the reporting period due to a Company-wide review of the Company’s policies and procedures. However the assessment was finalised in the subsequent reporting period with the results tabled and discussed at a meeting of Directors.

Performance evaluation of Senior Executives

A performance assessment for senior executives took place during the year in accordance with the Group’s agreed policy. Briefly, this involved the review of staff performance against agreed KPI’s and feedback was received from the Board where appropriate.

Principle 2: Structure the Board to add value

Nomination Committee

The Board has not established a Nomination Committee in accordance with Recommendation 2.1. The Board takes ultimate responsibility for these matters and

continues to monitor its composition and the roles and responsibilities of its members. The Group however is conscious of ensuring Board renewal and succession planning for the Group is dealt with at a Board level. The Board (in conjunction with its annual review of performance) reviews the size, composition and diversity of the Board and the mix of existing and desired competencies across its membership.

Skills Matrix

The Board aims in its membership to maintain a diverse mix of skills and experience that ensure the Board has the expertise to meet both its responsibilities to stakeholders and its strategic objectives. A Board Skills Matrix has been prepared and was reviewed by the Board in conjunction with the review of Board performance.

The Board Skills Matrix sets out the mix of skills, experience and expertise the Board currently has across its membership. As well as general skills expected for Board membership, the matrix includes skills or professional qualifications in areas such as: geology, mining, commerce, risk & compliance, finance/accounting, capital markets, leadership and strategy. Each of these areas is currently well represented on the Board.

Independence

The Board consists of the following Directors:

- Mr Graham Ascough, Chairman
(Appointed 26 May 2010)
- Mr Robert Waugh, Managing Director
(Appointed 6 March 2011)
- Mr John Percival, Non-Executive Director
(Appointed 26 May 2010)
- Mrs Kelly Ross, Non-Executive Director
(Appointed 26 May 2010)

The Board has determined that subsequent to Goldsearch Limited ceasing to be a Shareholder of the Company on 4 July 2014, Mr John Percival who was a director of Goldsearch Limited, to be an independent Director of the Company. Furthermore, following the

resignation on 24 December 2014 of Mrs Kelly Ross as a Director of Independence Group NL who are a substantial shareholder of the Company, Mrs Ross is also considered to be an Independent Director. Details of the Directors' qualifications and experience are set out in the Directors' Report of the Annual Report and also available on the Company's website.

The Company has not complied with Recommendation 2.4 in that a majority of the Board are not independent Directors. In considering the Corporate Governance Council's definition of independence and recommendation that a majority of Directors and the Chair be independent (bearing in mind that in determining independence the Company is required to take into account reasonable perceptions as well as actual facts and circumstances) each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.4, all Directors bring an independent judgment to bear on Board decisions.

It is considered that in the present circumstances of the Company and its current size and stage of development, that the Board is of a sufficient size and comprises a diverse mix of persons with appropriate qualifications, commitment, skills and experience to govern the Company and that the costs involved in appointing additional Non-Executive Directors in order to comply with the recommendation would outweigh the benefit of making such appointment. The Board will consider the appointment of additional Non-Executive Directors where required by law, if an outstanding candidate is identified or if it is considered that additional expertise is required in specific areas as the Company develops.

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. 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.

Chairman should be an Independent Director

The Company's Chairman, Mr Graham Ascough is not an independent Director, however Mr Ascough does not fulfil the role of CEO. Although the Company has not complied fully with Recommendation 2.5, the Board believes its structure to be appropriate at this time given the size and nature of the Company's operations. The Board will continue to review its leadership and governance structures in line with its policy on succession planning.

Director Induction

The Company has established a program for the induction of new Directors. The induction program covers all aspects of the Company's activities, operations, policies and procedures.

In order to develop and maintain the skills and knowledge required to perform their role, all Directors are encouraged to undergo continual professional development. Subject to approval, Directors are to be provided with reasonable access to resources and training to address skill gaps where they are identified and to receive continuing education concerning key developments in the Company and the industry and environment within which the Company operates.

Principle 3: Act ethically and responsibly

Code of Conduct

The Company has developed a Code of Conduct and Ethics ("the Code") endorsed by the Board and applies to all Directors and Employees. The Code is regularly reviewed and updated as necessary to ensure it reflects

the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders.

In summary, the Code requires that all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

The Company has a Securities Trading Policy which outlines the restrictions, closed periods and processes required when Directors, Managing Director and Key Management Personnel trade Company securities. Broadly, it restricts the purchase and sale of Company securities by Directors and employees during the following time periods:

- I. 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
- II. 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.

Any transactions undertaken in the above mentioned periods must be notified to the Board in advance and include a statement the proposed dealing is not as a result of access to, nor the receipt of inside information.

The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

A copy of the Code and the Securities Trading Policy are available on the Company's website.

Principle 4: Safeguard integrity in financial reporting

Audit Committee

The Audit Committee consists of the following Directors:

- Mrs Kelly Ross (Chair)
- Mr Graham Ascough
- Mr John Percival

The Company's Audit Committee does not comply with all of the requirements of Recommendation 4.1 given it does not consist of a majority of independent Directors. Nevertheless the Board has determined the composition of the Audit Committee represents a mix of Directors who are financially literate and have an appropriate understanding of the business in which the Group operates.

Details of the Directors' qualifications and attendance at Audit Committee meetings are set out in the Directors' Report included in the Annual Report.

The Audit Committee operates in accordance with a Charter which is available on the Company's website.

The main responsibilities of the Committee are to:

- review, assess and approve the annual reports, the half-year financial report and all other financial information published by the Company or released to the market;
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
 - effectiveness and efficiency of operations;
 - reliability of financial reporting; and
 - compliance with applicable laws and regulations.
- oversee the effective operation of the risk management framework;
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;

- consider the independence and competence of the external auditor on an ongoing basis;
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- review and monitor related party transactions and assess their propriety; and
- report to the Board on matters relevant to the Committee's role and responsibilities.

In fulfilling its responsibilities, the Audit Committee:

- receives regular reports from management and the external auditors;
- meets with the external auditors at least twice a year, or more frequently if necessary;
- reviews the processes the Managing Director and Company Secretary (acting as CFO) have in place to support their certifications to the Board;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- meets separately with the external auditors at least twice a year without the presence of management; and
- provides the external auditors with a clear line of direct communication at any time to either the Chair of the Audit Committee or the Chair of the Board.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

CEO and CFO assurance

The Board receives regular reports on the Group's financial and operational results in conjunction with its Board meetings.

Prior to approving the financial statements for the full year and half year the Company's Managing Director and Chief Financial Officer have provided the Board with appropriate declarations including a section 295A

declaration. The Company however has not complied fully with recommendation 4.2 as formal certification of the quarterly cashflow reports was implemented for the quarter ended 30 June 2015 and will be provided for subsequent periods.

External Auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Grant Thornton Audit Pty Ltd ("Grant Thornton") was appointed as the external auditor in 2011. It is Grant Thornton's policy to rotate audit engagement partners on listed companies in accordance with the requirements of the Corporations Act 2001, which is generally after five years, subject to certain exceptions.

The amount of fees paid to the external auditors is provided in a note to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

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.

Principles 5: Make timely and balanced disclosure

Continuous Disclosure

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

The Managing Director and Company Secretary have been nominated as the persons responsible

for communications with the Australian Securities Exchange ("ASX"). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, Shareholders, the media and the public.

All information released to the ASX is available on the Company's website. The Company's website also enables users to provide feedback on Company matters and includes a "Corporate Governance" section that discloses all relevant corporate governance information, including policies and procedures.

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

Principle 6: Respect the rights of Security holders

Information about the Company and its governance

The Company has a website (www.musgraveminerals.com.au) where investors can locate information about the Company, Directors, senior executives and the Company's governance.

Information is conveyed to Shareholders via the annual report, quarterly reports and other announcements which are delivered to the Australian Securities Exchange and posted under the Investor Centre section of the Company's website.

Investor relations

Due to the size of the Company and its current stage of development the Company does not have a formally appointed investor relations manager.

The Company instead provides the opportunity for investors to engage with the Board and management at the Company's AGM. Security holders and other financial market participants are also able to contact the Company directly to discuss any matters of concern or interest they may have from time to time.

The Board has adopted a policy to promote effective communication with Shareholders. A copy of the policy is available from the Company's website.

Participation at meetings of Security holders

Shareholders are encouraged to participate and engage with the Board and Management at Annual General Meetings and other specially convened General Meetings of the Company. The Board encourages the attendance and participation of Shareholders at these meetings by holding meetings in a location accessible to a large number of Shareholders.

The Company has policies and procedures that enable Shareholders to receive reports and participate in meetings via attendance or by written communication.

Electronic Communications

The Company aims to promote effective communication with investors. Shareholders with access to the internet are encouraged to register on the Company's website (www.musgraveminerals.com.au) to receive email notifications when an announcement is made by the Company to the ASX. Shareholders are also encouraged to register with the Company's share registry (Computershare) to communicate electronically.

Principle 7: Recognise and manage risk

The Board acknowledges recognising and managing risk is a crucial part of the role of the Board and Management. The Board is responsible for satisfying itself annually, or more frequently as required, that Management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the Audit Committee and is reviewed by the full Board.

The Audit Committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. They monitor the Company's risk management by overseeing

management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks. In providing this oversight, the Committee:

- reviews the framework and methodology for risk identification, the degree of risk the Company is willing to accept, the management of risk and the processes for auditing and evaluating the Company's risk management system;
- reviews Group-wide objectives in the context of the abovementioned categories of corporate risk;
- reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the Company's exposure to risk;
- reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis, and
- reviews compliance with agreed policies.

The Committee recommends any actions it deems appropriate to the Board for its consideration. Details pertaining to the Committee's membership and attendance at meetings is disclosed in the Directors' Report contained within the annual report.

Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system and has to report to the Audit Committee on the effectiveness of:

- the risk management and internal control system during the year, and
- the Group's management of its material business risks.

The Group does not have a separate internal audit function.

A review of the risk management framework commenced during the year in accordance with the agreed process mentioned above and was completed subsequent to the end of the reporting period with results and recommendations of the review evaluated at a subsequent Board meeting. A copy of the Company's Risk Management Policy is available on the website.

Exposure to material economic, environmental and social sustainability risk

The Group's policy is to identify and manage potential or apparent business, economic, environmental and social sustainability risks (if appropriate). The Group at present has not identified specific material risk exposure in these categories.

Principle 8: Remunerate fairly and responsibly

Remuneration Committee

The Board has not established a Remuneration Committee and therefore has not complied with recommendation 8.1.

Due to the early stage and small size of the Company a separate Remuneration Committee was not considered to add any efficiency to the process of determining the levels of remuneration for Directors and key executives. The Board considers it is more appropriate to set aside time at a Board meeting each year to specifically address matters that would ordinarily fall to a remuneration committee such as reviewing remuneration, recruitment, retention and termination procedures to ensure remuneration packages and incentives remain appropriate and in accordance with the Company's commercial interests.

Disclosure of remuneration policies and practices

Every employee of the Group signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. The Group's human resources

structure is reviewed by the Board on an on-going basis and, where necessary, is revised to accommodate changes in the Group's needs and requirements.

Further information on Directors' and Executives' remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading 'Remuneration Report'. The Group has a policy to distinguish the remuneration of Executives and senior staff from that of the Non-Executive Directors. All Executives and senior staff are subject to annual reviews, where the remuneration arrangements are reviewed and benchmarked against industry averages. The Group additionally uses the Employee Share Option Plan to provide incentives to employees, which are reviewed annually in conjunction with the available option pool. The Non-Executive Directors' remuneration is set from a pool that is approved by Shareholders, which presently is set at \$250,000 per annum. The Group has a policy of obtaining Shareholder approval for any share based remuneration (such as options) to be granted to Directors in accordance with the ASX Listing Rules.

Equity based remuneration scheme policy

The Company has an Employee Share Option Plan ("ESOP") which was approved by Shareholders at the 2013 AGM. A summary of the ESOP was included in the Company's 2013 Notice of General Meeting, a copy of which is available on the Company's website.

In accordance with the Plan and the Company's Share Trading Policy, Directors, Officers and Employees are not permitted to enter into any transactions or financial arrangements that would limit the economic risk of options or other securities.

Non-Executive Directors are excluded from the ESOP.

Auditor's Independence Declaration



Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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 2015, 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.

A handwritten signature in blue ink that reads "Grant Thornton, J.L. Humphrey".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in blue ink that reads "J.L. Humphrey".

J.L. Humphrey
Partner – Audit & Assurance

Adelaide, 25 September 2015

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

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

		30 June 2015 \$	30 June 2014 \$
Revenue from operating activities	4(a)	177,436	308,551
Impairment of exploration and evaluation assets	11	(7,649,239)	(4,373,984)
Employee benefits expense	4(d)	(360,119)	(561,869)
Depreciation expense	4(b)	(34,036)	(66,923)
Finance expenses	4(c)	(96)	(1,727)
Funds misappropriated	4(f)	(337,282)	(95,447)
Other expenses	4(e)	(521,913)	(557,070)
Loss before income tax expense		(8,725,249)	(5,348,469)
Income tax benefit/(expense)	5	895,575	488,608
Loss from continuing operations		(7,829,674)	(4,859,861)
Loss attributable to members of the parent entity		(7,829,674)	(4,859,861)
Other comprehensive income		-	-
Total comprehensive loss for the year		(7,829,674)	(4,859,861)

Loss per share:		Cents	Cents
Basic earnings per share	6	(6.47)	(4.02)
Diluted earnings per share	6	(6.47)	(4.02)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2015

	Note	30 June 2015 \$	30 June 2014 \$
CURRENT ASSETS			
Cash and cash equivalents	7	3,737,403	6,139,459
Trade and other receivables	8	47,158	89,786
Other current assets	9	29,520	25,498
TOTAL CURRENT ASSETS		3,814,081	6,254,743
NON-CURRENT ASSETS			
Property, plant and equipment	10	96,188	135,723
Exploration and evaluation assets	11	10,391,152	15,748,622
TOTAL NON-CURRENT ASSETS		10,487,340	15,884,345
TOTAL ASSETS		14,301,421	22,139,088
CURRENT LIABILITIES			
Trade and other payables	12	297,064	219,690
Short-term provisions	13	77,237	151,076
TOTAL CURRENT LIABILITIES		374,301	370,766
NON-CURRENT LIABILITIES			
Long-term provisions	13	19,385	30,913
TOTAL NON-CURRENT LIABILITIES		19,385	30,913
TOTAL LIABILITIES		393,686	401,679
NET ASSETS		13,907,735	21,737,409
EQUITY			
Issued capital	14	26,718,899	26,718,899
Reserves	15	2,858,705	2,973,818
Retained losses	16	(15,669,869)	(7,955,308)
TOTAL EQUITY		13,907,735	21,737,409

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

	Note	Issued capital ordinary	Share Option Reserve	Accumulated losses	Total equity
Balance at 1 July 2013		26,718,899	2,958,083	(3,109,727)	26,567,255
Total comprehensive loss for the year		-	-	(4,859,861)	(4,859,861)
Share based payments	17	-	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
Balance at 1 July 2014		26,718,899	2,973,818	(7,955,308)	21,737,409
Total comprehensive loss for the year		-	-	(7,829,674)	(7,829,674)
Transfer from share option reserve due to lapse of options under employee share option plan		-	(115,113)	115,113	-
Balance at 30 June 2015		26,718,899	2,858,705	(15,669,869)	13,907,735

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Note	30 June 2015 \$	30 June 2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(926,233)	(1,011,639)
Misappropriated funds		(337,282)	(95,447)
Interest received		153,920	306,105
Finance costs		(96)	(1,274)
Receipt of Research and Development Tax Concession		895,575	488,608
NET CASH USED IN OPERATING ACTIVITIES	7	(214,116)	(313,647)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		-	(33,318)
Payments for exploration activities		(2,187,940)	(3,032,829)
NET CASH USED IN INVESTING ACTIVITIES		(2,187,940)	(3,066,147)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	(46,453)
NET CASH USED IN FINANCING ACTIVITIES		-	(46,453)
Net decrease in cash and cash equivalents		(2,402,056)	(3,426,247)
Cash at the beginning of the year		6,139,459	9,565,706
CASH AT THE END OF THE YEAR	7	3,737,403	6,139,459

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2015

1. Corporate information

The consolidated financial statements of Musgrave Minerals Limited (the “Company” or the “Parent”) and its subsidiaries (collectively, “the Group”) for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the Directors on 25 September 2015.

The Company is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The Company’s 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. Summary of significant accounting policies

2.1. Basis of preparation

The financial report is a general purpose financial report, which has 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. The financial report has also been prepared on a historical cost basis.

The consolidated financial statements provide comparative information in respect of the previous period. The financial report is presented in Australian dollars, being the functional and presentational currency for the Group.

2.2. Compliance with International Financial Reporting Standards

The financial report also complies with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

2.3. Changes in accounting policy, disclosures, standards and interpretations

(i) Changes in accounting policies

The accounting policies adopted in the preparation of this Annual Report are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 30 June 2014.

(ii) New and amended Standards and Interpretations

The Group applied, for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 July 2014. The nature and the impact of each new standard and/or amendment is described below:

Remove Individual Key Management Personnel

Disclosure Requirements – Amendments to AASB 124

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It has resulted in individual KMP disclosures being removed from the notes and have been relocated to the remuneration report. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. This amendment has resulted in reduced disclosures in the Group’s financial statements.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to AASB 136

The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. This amendment has resulted in increased disclosures in the Group’s financial statements.

Offsetting Financial Assets and Financial Liabilities - Amendments to AASB 132

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

AASB 2014-1 Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs

This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board ("IASB") of International Financial Reporting Standards ("IFRSs") Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle.

Annual Improvements to IFRSs Cycle addresses the following items:

- AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.
- AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' assets to the entity's total assets.
- AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by

a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

- AASB 13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.
- AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.

AASB 2014-2 Amendments to AASB 1053 – Transition To and Between Tiers, and Related Tier 2 Disclosure Requirements (applicable to the Group from 1 January 2015)

This Standard makes amendments to AASB 1053 Application of Tiers of Australian Accounting Standards to:

- clarify that AASB 1053 relates only to general purpose financial statements;
- make AASB 1053 consistent with the availability of the AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors option in AASB 1 First-time Adoption of Australian Accounting Standards;
- clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1; permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 (rather than applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement requirements in its most recent previous annual special purpose financial statements; and
- specify certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.

(iii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended that potentially impact the Group but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2015 are outlined below. The Group has assessed that these amendments are unlikely to have any material effect for the Group.

AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138) (applicable to the Group from 1 July 2015)

AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The Group has assessed that these amendments are unlikely to have any material effect for the Group.

Amendments to IAS 1 (applicable to the Group from 1 January 2016)

As part of the IASB's Disclosure Initiative projects, the IASB issued Amendments to IAS 1 in December 2014. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify

that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

The Group has assessed that this Standard is unlikely to have any material effect for the Group at this point in time.

2.4. Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired

or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

(c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue is recognised.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate ("EIR"). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in interest revenue in the statement of comprehensive income.

(d) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted

or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Included in the income tax benefits are research and development claims.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

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

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and,

at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

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

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

(e) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

(f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(g) Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. 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 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 consist of trade and other payables.

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

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

(h) 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.

Long service leave and annual leave

The Group does not expect its long service leave to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows. Annual leave benefits are expected to be wholly settled within 12 months and are recorded at the nominal amount of leave outstanding at each reporting date.

(i) 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 3 months or less, and bank overdrafts. Bank overdrafts

are reported within short-term borrowings in current liabilities in the statement of financial position.

(j) 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 exclusive 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.

(k) Impairment of assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU's") fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations

are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(l) 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 for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to 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.

(m) 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.

(n) 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.

(o) Comparative Figures

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

(p) 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

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.

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 \$10,391,152 (2014: \$15,748,622).

Share-based payments

The Group initially measures the cost of cash-settled transactions with employees or contractors using a

Black-Scholes model to determine the fair value of the liability incurred. The Group initially measures the cost of equity-settled transactions with employees or contractors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17.

3. Operating Segments

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

4. Revenue and expenses

	Consolidated	
	2015 \$	2014 \$
(a) Revenue from operating activities		
Interest revenue	149,521	295,150
Other revenue	27,915	13,401
	177,436	308,551
(b) Depreciation of non-current assets		
Plant and equipment	17,345	44,379
Motor vehicles	16,691	22,544
	34,036	66,923

	Consolidated	
	2015 \$	2014 \$
(c) Finance expenses		
Finance costs	10	-
Interest applied to hire purchase	86	1,727
	96	1,727
(d) Employees benefits expense		
Wages, salaries, directors fees and other remuneration expenses	1,196,465	1,406,121
Contributions to defined contribution superannuation funds	87,104	130,872
Transfer to/(from) annual leave provision	(90,698)	48,559
Transfer to/(from) long service leave provision	(11,528)	17,294
Share-based payments expense	-	30,015
Transfer to capitalised tenements	(821,224)	(1,070,992)
	360,119	561,869
(e) Other expenses		
Secretarial, professional and consultancy	146,668	126,984
Forensic accounting costs	34,296	-
Occupancy costs	121,007	112,703
Share register maintenance	20,432	22,140
Insurance costs	33,783	47,958
Promotion, advertising and sponsorship	7,732	34,135
Audit fees	33,625	29,548
Computer expense and software licensing	29,249	18,853
Employer related on-costs	29,316	35,108
Other expenses	65,805	129,641
	521,913	557,070

(f) Funds misappropriation
As reported in the Company's 2014 Annual Report and disclosed in the Company's announcement released to the ASX on 12 February 2015, investigations into a number of irregular transactions have been undertaken by the Company. The investigations concluded that the amount of funds involved in the irregular transactions is \$468,772. \$373,325 of these funds were misappropriated during the current reporting period with the remaining balance misappropriated in the comparative reporting period. The irregularities are consistent with fraudulent misappropriation of Company funds. An employee of the Company was suspended on 19 September 2014 pending the abovementioned investigations, and their employment has been subsequently terminated.
To date, \$36,043 has been returned to the Company. The Board is vigorously pursuing a number of avenues for the recovery of the remaining funds.
The expenses involved in the irregularities have been declared on the face of the Consolidated Statement of Profit and Loss in the financial years in which they were incurred, net of any amounts refunded.

5. Income tax

	Consolidated	
	2015 \$	2014 \$
Current Income Tax		
Current income tax charge/(benefit)	-	-
Research and Development Tax offset	(895,575)	(448,608)
Income tax expense/(benefit) reported in the consolidated statement of profit or loss	(895,575)	(448,608)
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	(7,829,674)	(4,859,861)
At Australia's statutory income tax rate of 30% (2014: 30%)	(2,348,902)	(1,457,958)

	Consolidated	
	2015 \$	2014 \$
Immediate write off of capital expenditure	(687,531)	(920,002)
Expenditures not allowable for income tax purposes	2,294,772	1,312,195
Other deductible items	(65,811)	(64,905)
Tax losses not recognized due to not meeting recognition criteria	807,472	1,130,670

The Company has tax losses arising in Australia of \$15,674,230 (2014: \$13,781,828).

6. 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	
	2015 \$	2014 \$
Net profit/(loss) attributable to ordinary equity holders of the parent entity	(7,829,674)	(4,859,861)
Weighted average number of ordinary shares for basic earnings per share	121,000,000	121,000,000

	Consolidated	
	2015 \$	2014 \$
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

7. Cash and cash equivalents

	Consolidated	
	2015 \$	2014 \$
Cash at bank	1,465,403	829,459
Short-term deposits	2,272,000	5,310,000
	3,737,403	6,139,459

Reconciliation of total comprehensive loss for the year to cash flows from operating activities

	Consolidated	
	2015 \$	2014 \$
Net loss	(7,829,674)	(4,859,861)
Adjustments for non-cash items:		
Depreciation	34,036	66,923
Share based payments	-	30,015
Impairment expense	7,649,239	4,373,984
Changes in assets and liabilities:		
Decrease/(Increase) in trade and other receivables	42,628	33,895
Decrease/(Increase) in prepayments	(8,420)	3,117
Decrease/(Increase) interest receivable	4,399	25,544
Increase/(Decrease) in trade and other payables	(20,957)	(65,117)
Increase/(Decrease) in employee entitlements	(85,367)	77,853
Net Cash (used in) operating activities	(214,116)	(313,647)

8. Trade and other receivables

	Consolidated	
	2015 \$	2014 \$
GST Receivable	45,098	54,343
Other Receivables	2,060	35,443
	47,158	89,786

Other receivables are non-interest bearing and are generally received within 30 days. There were no amounts past due but not impaired.

9. Other current assets

	Consolidated	
	2015 \$	2014 \$
Prepayments	8,420	-
Accrued Income	21,100	25,498
	29,520	25,498

10. Plant and equipment

	Consolidated	
	2015 \$	2014 \$
Motor Vehicles		
Cost		
Balance at 1 July	166,545	166,545
Balance at 30 June	166,545	166,545
Accumulated depreciation		
Balance at 1 July	83,199	60,655
Depreciation for the year	16,691	22,544
Balance at 30 June	99,890	83,199
Net book value	66,655	83,346
Plant and equipment		
Cost		
Balance at 1 July	248,576	222,368
Additions	-	26,208

	Consolidated	
	2015 \$	2014 \$
Disposals	(5,500)	-
Balance at 30 June	243,076	248,576
Accumulated depreciation		
Balance at 1 July	196,198	151,819
Depreciation for the year	17,345	44,379
Balance at 30 June	213,543	196,198
Net book value	29,533	52,378
Total		
Cost		
Opening balance	415,121	388,913
Additions	-	26,208
Disposals	(5,500)	-
Balance at 30 June	409,621	415,121
Accumulated depreciation		
Opening balance	279,397	212,475
Depreciation for the year	34,036	66,923
Balance at 30 June	313,433	279,398
Net book value	96,188	135,723

11. Exploration and evaluation

	Consolidated	
	2015 \$	2014 \$
Exploration and evaluation phases	10,391,152	15,748,622
	10,391,152	15,748,622

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	Total
	\$
Balance at 1 July 2014	15,748,622
Additions through expenditure capitalised	2,291,769
Impairment of tenements *	(7,649,239)
Balance at 30 June 2015	10,391,152

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 have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

* During the year ended 30 June 2015, a total of \$7,649,239 (2014: \$4,373,984) has been taken as an impairment of the consolidated Group's exploration and evaluation assets. Of this amount, \$4,295,475 relates to the impairment of Exploration Licence Applications within the South Australian Musgrave Region and project generation expenditures. The remaining \$3,353,764 relates to the termination of the Menninnie Dam Joint Venture.

12. Trade and other payables

	Consolidated	
	2015 \$	2014 \$
Trade Payables	115,268	100,501
Other Payables	181,796	119,189
	297,064	219,690

Trade and other payables are non-interest bearing and are normally settled on 30-day terms. Information regarding the credit risk of current payables is set out in note 22.

13. Provisions

	Consolidated	
	2015 \$	2014 \$
Short-term		
Annual leave		
Balance at 1 July	151,076	90,517
Net increase/(decrease in provision)	(73,839)	60,559
Closing balance 30 June	77,237	151,076
Long-term		
Long service leave		
Balance at 1 July	30,913	13,619
Net increase/(decrease in provision)	(11,528)	17,294
Closing balance 30 June	19,385	30,913

14. Issued capital

	Consolidated	
	2015 \$	2014 \$
121,000,000 fully paid ordinary shares (2014: 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 2014.

Fully paid ordinary shares carry one vote per share and carry the right to dividends (in the event such a dividend was declared). Refer to note 17 for details of share options.

15. Reserves

	Consolidated	
	2015 \$	2014 \$
Reserves		
Share option reserve (a)	2,858,705	2,973,818
	2,858,705	2,973,818
(a) Share option reserve		
Balance at beginning of financial year	2,973,818	2,958,083
Issue of options to employees under the Employee Share Option Plan	-	30,015
Transfer to retained earnings upon lapse of options	(115,113)	(14,280)
Balance at end of financial year	2,858,705	2,973,818

16. Retained losses

	Consolidated	
	2015 \$	2014 \$
Balance at beginning of financial year	(7,955,308)	(3,109,727)
Net loss attributable to members of the parent entity	(7,829,674)	(4,859,861)
Transfer from share option reserve	115,113	14,280
Balance at end of financial year	(15,669,869)	(7,955,308)

17. 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 4(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:

	2015	2015	2014	2014
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	17,025,000	0.32	16,450,000	0.32
Granted during the year	-	-	575,000	0.12
Expired/lapsed during the year	(1,050,000)	0.27	-	-

The range of exercise prices for options outstanding at the end of the year was \$0.12 – \$0.50 (2014: \$0.12 – \$0.50).

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 (with no disclosure listed for the current financial year due to no options having been issued during the period):

	2014
Exercise price	\$0.12
Grant date	11 Mar 14
Expiry date	10 Mar 19
Share price at grant date	\$0.077
Historical volatility (%)	96%
Risk-free interest rate (%)	3.43%
Expected dividend yield	0%

18. Related party disclosures

Remuneration of Key Management Personnel

	2015 \$	2014 \$
Short-term employee benefits	798,755	823,307
Share based payments	-	15,660
Post-employment benefits	61,227	60,950
Total compensation	859,982	899,917

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 2015 totalled \$96,039 excluding GST (2014: \$90,351). A total of \$4,476 including GST was outstanding at 30 June 2015 (2014: \$6,862).

During the year, Musgrave Minerals Ltd invoiced Mithril in relation to expenditure incurred by Musgrave on Mithril’s behalf. These transactions were undertaken on an arm’s length basis and in aggregate for the year ended 30 June 2015 totalled \$11,513 excluding GST (2014: \$7,133). No amounts were outstanding at 30 June 2015 (2014: \$Nil).

During the year, Musgrave Minerals Ltd invoiced Avalon Minerals Limited (“Avalon”) in relation to work performed for a geophysical review performed for Avalon. This work was undertaken on an arm’s length basis and in aggregate for the year ended 30 June 2015 totalled \$12,898 excluding GST (2014: \$Nil). No amounts were outstanding at 30 June 2015 (2014: \$Nil).

HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation, secretarial and transactional services provided during the period amounting to \$126,079 including GST (2014: \$97,690). A total of \$8,250 including GST was outstanding at

30 June 2015 (2014: \$13,489). Donald Stephens, the former Company Secretary, is a consultant with HLB Mann Judd (SA) Pty Ltd.

19. Commitments for expenditure

	Consolidated	
	2015 \$	2014 \$
Operating leases		
Not longer than 1 year	12,000	30,063
Longer than 1 year and not longer than 5 years	-	-
Balance at end of financial year	12,000	30,063

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 2015 net amounts of approximately \$461,000 (2014: \$1,907,500) 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.

20. Contingent liabilities and contingent assets

At the date of this report, the Company is not aware of any contingent asset or liability that should be disclosed in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

The Company has various bank guarantees totalling \$122,000 at 30 June 2015 (2014: 110,000) which act as collateral over the lease of office at 28 Richardson Street, West Perth and the Company's business credit cards.

21. Auditors remuneration

	2015 \$	2014 \$
An audit or review of the financial report	33,625	29,548
	33,625	29,548

22. Financial risk management

22.1 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 retained losses as disclosed in notes 14, 15 and 16 respectively.

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

	2015 \$	2014 \$
FINANCIAL ASSETS		
Cash and cash equivalents	3,737,403	6,139,459
Trade receivables	47,158	89,786
FINANCIAL LIABILITIES		
Payables	297,064	219,690

22.2 Credit risk

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.

22.3 Interest rate risk

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

	Weighted average effective interest rate	Less than one year
	%	\$
Fixed interest rate		
2015	3.14	2,180,000
2014	3.61	5,310,000
Variable interest rate		
2015	0.97	1,557,403
2014	1.19	829,459

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 \$32,660 (2014: \$38,863) which is mainly attributable to the Group's exposure to interest rates on its variable interest rate bank deposits.

22.4 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.

23. Parent entity information

	Consolidated	
	2015 \$	2014 \$
Assets		
Current assets	3,814,081	6,254,743
Non-current assets	10,487,340	15,884,345
Total assets	14,301,421	22,139,088
Liabilities		
Current liabilities	374,301	370,766
Non-current liabilities	19,385	30,913
Total liabilities	393,686	401,679
Equity		
Issued capital	26,718,899	26,718,899
Reserves	2,858,705	2,973,818
Accumulated losses	(15,669,869)	(7,955,308)
Total shareholders' equity	13,907,735	21,737,409
Financial Performance		
Loss for the year	(7,829,674)	(4,859,861)
Other comprehensive income	-	-
Total comprehensive loss	(7,829,674)	(4,859,861)

Directors' Declaration

The Directors of Musgrave Minerals Limited state that:

In the opinion of the Directors:

1. The consolidated financial statements and notes, as set out on pages 29 to 49, are in accordance with the *Corporations Act 2001*, and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 2 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 2015 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 pay its debts as and when they become due and payable; and
3. The Managing Director and Chief Financial Officer 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.

Signed in accordance with a resolution of the Directors.



Mr Graham Ascough
Chairman

25 September 2015

Independent Auditor's Report



Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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 2015, 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 Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

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 2015 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 pages 16 to 19 of the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 25 September 2015

ASX Additional Information

The following additional information not shown elsewhere in this report is required by the Australian Securities Exchange in respect of listed public companies only. This information is current as at 17 September 2015.

Securities

Quotation has been granted for 121,000,000 ordinary shares of the Company on the Australian Securities Exchange.

Quoted Securities

ASX Code	Number of Holders	Security Description	Total Securities
MGV	1,059	Ordinary Fully Paid	121,000,000

Unquoted Securities

ASX Code	Number of Holders	Security Description	Total Securities
MGVAM	5	Options expiring 17/02/2016 Exercisable at \$0.36	4,750,000
MGVAO	1	Options expiring 17/02/2016 Exercisable at \$0.50	2,500,000
MGVAQ	4	Options expiring 19/04/2016 Exercisable at \$0.25	7,750,000
MGVAU	3	Options expiring 23/01/2017 Exercisable at \$0.25	375,000
MGVAI	1	Options expiring 05/03/2018 Exercisable at \$0.25	500,000
MGVAA	6	Options expiring 10/03/2019 Exercisable at \$0.12	550,000
MGVAS	1	Options expiring 08/05/2016 Exercisable at \$0.36	500,000
MGVAY	1	Options expiring 23/03/2018 Exercisable at \$0.25	75,000

One holder Mr Robert Waugh and Mrs Sara Waugh <Waugh Family Trust A/C> hold 5,000,000 unlisted options (equivalent to 29.41% of total unlisted options)

Voting Rights

The voting rights attached to each class of security are as follows:

- Ordinary Fully Paid shares – one vote per share held.
- Options – no voting rights are attached to unexercised options.

Distribution schedule

Spread of Holdings - Ordinary Shares (ASX: MGV)

	Holders	Units	Percentage
1 - 1,000	13	1,771	0.001
1,001 - 5,000	40	161,254	0.133
5,001 - 10,000	218	1,904,483	1.574
10,001 - 100,000	613	25,285,186	20.898
100,001 - 99,999,999	175	93,647,306	77.394
TOTAL	1,059	121,000,000	100%

Unmarketable Parcel

There are 515 Shareholders holding less than a marketable parcel of fully paid ordinary shares (a minimum parcel \$500 shares, being 22,728 shares using a market value of \$0.022).

Substantial Shareholding

The Company has received the following notices of substantial holding:

- Mithril Resources Investments Pty Ltd in relation to 9,283,871 ordinary shares
- Independence Group NL in relation to 9,027,000 ordinary shares

Register of Securities

The Register of securities is held at Computershare Investor Services Pty Ltd at Level 11, 172 St Georges Terrace, Perth, Western Australia. Telephone: (Australia) 1300 555 159 (overseas) + 61 3 9415 4062.

Buyback

No on-market share buy-back is current.

Top Holders

The names of the twenty largest shareholders (ASX: MGV) are listed below:

Rank	Name	Units held	% of Units
1.	Mithril Resources Investments Pty Ltd	9,283,871	7.67
2.	Independence Group NL	9,027,000	7.46
3.	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	7,512,067	6.21
4.	Barrick (Australia Pacific) Limited	6,000,000	4.96
5.	Integra Mining Limited	5,516,129	4.56
6.	Allise Pty Ltd	2,600,000	2.15
7.	Cazna (Oxford 1) Limited + Cazna (Oxford 2) Limited <The Oxford A/C>	1,540,000	1.27
8.	Forsyth Barr Custodians Ltd <Forsyth Barr Ltd-Nominee A/C>	1,454,900	1.20
9.	Kimbriki Nominees Pty Ltd <Kimbriki Hamilton SF A/C>	1,452,000	1.20
10.	J P Morgan Nominees Australia Limited	1,189,579	0.98
11.	Mr Chor Leng Tan	1,142,000	0.94
12.	Citicorp Nominees Pty Limited	1,011,200	0.84
13.	Amalgamated Dairies Limited	1,000,000	0.83
14.	Hipete Pty Limited	1,000,000	0.83
15.	Como Investments Pty Ltd	950,000	0.79
16.	Mr Stephen Simunovic + Mr Dragan Simunovic <Simunovic Superfund A/C>	810,000	0.67
17.	Octifil Pty Ltd	800,000	0.66
18.	Cahami Pty Ltd <Cahami Super Fund A/C>	725,000	0.60
19.	Kavalex Pty Limited	680,000	0.56
20.	Mr Lindsay Heaven	677,558	0.56



www.musgraveminerals.com.au

28 Richardson Street, West Perth, Western Australia 6005
Phone: **+61 8 9324 1061** - Fax: +61 8 9324 1014