

SCHEDULE

Terms and Conditions of Options

The options held by the optionholder are exercisable in whole or in part on or before the fifth anniversary of the date of grant (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.

2,500,000 options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$0.36 per option in cleared funds.

2,500,000 options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$0.50 per option in cleared funds.

Some or all of the options may be exercised at any one time or times prior to the expiry of the Exercise Period provided that no less than 10,000 options are exercised at any one time.

The Company will not apply for official quotation on ASX of the options.

The Company will apply for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.

Options are not transferable, except that if at any time before expiry of the Exercise Period the optionholder dies, the legal personal representative of the deceased optionholder may:

- elect to be registered as the new holder of the options,
- whether or not he or she becomes so registered, exercise those options in accordance with the terms and conditions on which they were granted, and
- if the deceased has already exercised options, pay the exercise price in respect of those options.

An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue.

If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.

If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

Where:

A = the new exercise price of the option;

O = the old exercise price of the option;

E = the number of underlying ordinary shares into which one option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

If the optionholder's employment is terminated within 12 months after its commencement date by the optionholder pursuant to paragraph 19.2 of the employment Letter Agreement between the optionholder and the Company or by the Company pursuant to paragraph 20 of the said Letter Agreement, the Board of Directors may (in its absolute discretion) by notice to optionholder (or the optionholder's nominee) cancel for no consideration all options held by

the optionholder (or the optionholder's nominee) which have not then been exercised. If required by the Company, the optionholder will execute, or cause the optionholder's nominee to execute, any documents which the Company considers necessary to cancel the options. For the avoidance of doubt, this paragraph does not apply if the optionholder's employment is terminated as a result of a merger or takeover of the Company or by the optionholder pursuant to paragraph 19.3 of the said Letter Agreement.

Musgrave Minerals Limited
 60 King William Road
 GOODWOOD SA 5034
 Telephone: (08) 8378 8200
 Facsimile: (08) 8271 0037

Mark this box with an 'X' if you have made any changes to your address details (see reverse) reverse)

Appointment of Proxy

I/We (name of shareholder) _____

Of (address) _____

Being a member/s of Musgrave Minerals Limited and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an 'X') **OR**

Write here the name of the person you are appointing if this person **is someone other than** the Chairman of the Meeting.

or failing the person named, or if no person is named, the Chairman of the Meeting as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Musgrave Minerals Limited to be held at 11.00 am (Adelaide time) on **[insert]** 2011 at 60 King William Road, Goodwood, South Australia and at any adjournment of that meeting.

Important:

If the Chairman of the meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on the resolution below, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy unless he has an interest in the outcome of that item. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the meeting will not cast your vote on the resolution below and your vote will not be counted in computing the required majority if a poll is called on that item. The Chairman intends to vote undirected proxies in favour of the resolutions below unless he has an interest in the outcome of that item.

Voting Directions to your proxy – please mark to indicate your directions

| | For | Against | Abstain* |
|---|-----|---------|----------|
| Resolution 1: Approval for the grant by the Company of 5,000,000 options to Mr Robert Waugh (or his nominee) | | | |

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the items of business unless he has an interest in the outcome of that item. *If you mark the Abstain box for the item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in computing the required majority on a poll.

Appointing a second proxy

We wish to appoint a second proxy

Mark with an 'X' if you wish to appoint a second proxy

AND % **OR**

State the percentage of your voting rights or the number of securities for this Proxy Form

PLEASE SIGN HERE

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

| | | |
|-------------------------------|-----------------|-----------------|
| Individual or Securityholder1 | Securityholder2 | Securityholder3 |
| | | |

Individual/Sole Director and Sole Director Director/Company Secretary
 Company Secretary

Contact Name _____ Contact Daytime Telephone _____ Date ____/____/____

HOW TO COMPLETE THE PROXY FORM

1 Your Address

This form has been sent to your address as it appears on the company's share register. If this address is incorrect, please mark the box and write the correct address on the form. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite the item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on an item by inserting the percentage or number of securities you wish to vote in the appropriate box. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's registered office or you may copy this form.

To appoint a second proxy you must:

- a) indicate that you wish to appoint a second proxy by marking the box;
- b) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded;
- c) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the security holders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the company. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below no later than 48 hours before the commencement of the meeting at 11.00 am (Adelaide time) on **[insert]** 2011. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

by posting, delivery or facsimile to:

Musgrave Minerals Limited
60 King William Road
GOODWOOD SA 5034
Telephone: (08) 8378 8200
Facsimile: (08) 8271 0037