

# **Musgrave Minerals Ltd**

**ABN 12 143 890 671**

## **Half Year Report**

**for the half year ended 31 December 2011**

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## Directors' Report

The directors of Musgrave Minerals Ltd ('Musgrave Minerals') present their Report together with the financial statements of the Company for the half year ended 31 December 2011 and the Independent Review Report thereon.

### Director Details

The following persons were directors of Musgrave Minerals during or since the end of the half year.

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

### Operating Result

The Company's loss for the half year ended 31 December 2011 after providing for income tax amounted to \$211,353 (2010: \$71,692).

### Principal Activities

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

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

### Review of Operations

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

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

In South Australia, the Musgrave Province lies almost entirely within Anangu Pitjantjatjara Yankunytjatjara (“APY”) land (Aboriginal freehold land). Historically, exploration activities in the region have been restricted but access has improved considerably in recent times. Musgrave Minerals listed on the Australian Securities Exchange (“ASX”) on 29 April 2011 and currently holds seven granted exploration licences totalling more than 5,500km<sup>2</sup>. The Company is in the advanced stages of progressing four additional tenements through the granting process.

Significant results during the period included the identification of new near-surface copper mineralisation at Moorilyanna through rotary air blast (“RAB”) drilling, and magmatic sulphides identified in initial drilling at Deering Hills.

The Moorilyanna Prospect, within the Mimili Project area, is situated on wholly-owned tenements (EL3955 and EL3954) located approximately 40km west of the Stuart Highway and the Adelaide to Darwin railway line in South Australia, on the eastern edge of the Musgrave Geological Province.

A combination RAB and aircore drilling program was completed at Moorilyanna during the period. The drilling successfully defined near-surface copper mineralisation in weathered bedrock over three broad areas.

The drilling was undertaken on 10 broad-spaced traverses in three main zones. Results included:

<b>Hole #</b>	<b>Down Hole Intercept</b>	<b>From Depth (Down Hole)</b>
<b>MOORB 057</b>	<b>10m @ 0.23% Cu</b>	<b>4m</b>
<b>MOORB 067</b>	<b>12m @ 0.20% Cu</b>	<b>0m</b>
<b>MOORB 110</b>	<b>2m @ 0.17% Cu</b>	<b>11m</b>
<b>MOORB 058</b>	<b>16m @ 0.14% Cu</b>	<b>2m</b>
<b>MOORB 059</b>	<b>4m @ 0.12% Cu</b>	<b>8m</b>
<b>MOORB 019</b>	<b>4m @ 0.10% Cu</b>	<b>4m</b>

Table 1: Summary of significant drill results from initial Moorilyanna regolith drilling

All three main target areas were anomalous in copper, with best results from the Caprica East zone including 12m @ 0.2% Cu and 10m @ 0.23% Cu. The Caprica East zone extends for more than 900 metres with a mineralised width of up to 80 metres. The mineralisation is open along strike to the north-west and is associated with elevated silver and gold.

The significant copper results are located in an area of sparse sub-crop and shallow sand cover. The broad nature of these initial results is extremely encouraging. A follow-up Induced Polarisation ("IP") survey and reverse circulation ("RC") drilling is planned for early 2012.

A maiden nickel-copper diamond drilling program at the Company's wholly-owned Deering Hills Project (EL3941 and EL3942), located approximately 200km west of the Stuart Highway and Adelaide to Darwin rail line, was successful and intersected disseminated and matrix level sulphides.

Through the combination of geological mapping, airborne geophysics, ground electromagnetic surveys, surface geochemistry and vacuum drilling, the Company has continued to define high quality geophysical and geochemical nickel-copper sulphide targets at Deering Hills for drill testing in 2012.

Exploration on the Mt Woodroffe and other Musgrave Minerals projects is continuing. Going forward the Company will continue to focus on the Moorilyanna and Deering Hills projects given the strong encouragement received in 2011, while continuing regional exploration on other project areas. An IP survey and RC drilling is planned for Moorilyanna in March 2012. Further exploration activities, including ground geophysical surveys and vacuum and diamond drilling are planned at Deering Hills and are scheduled to commence in the second quarter of 2012.

#### **Competent Person's Statement**

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

The auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half year ended 31 December 2011.

Signed in accordance with a resolution of the directors.



Mr Graham Ascough  
Chairman

15 March 2012

Level 1,  
67 Greenhill Rd  
Wayville SA 5034  
GPO Box 1270  
Adelaide SA 5001  
T 61 8 8372 6666  
F 61 8 8372 6677  
E [info.sa@au.gt.com](mailto:info.sa@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

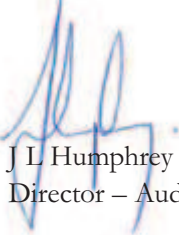
**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF MUSGRAVE MINERALS LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Musgrave Minerals Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

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

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J L Humphrey  
Director – Audit & Assurance Services

Adelaide, 15 March 2012

## Interim statement of comprehensive income

For the half-year ended 31 December 2011

	Half-year ended	
	31 Dec 2011	31 Dec 2010
	\$	\$
Other income	409,729	8,825
Employee benefits expense	(253,109)	(14,390)
Depreciation expense	(50,678)	(1,098)
Finance costs	(5,434)	-
Other expenses	(307,331)	(65,029)
<b>Loss before income tax expense</b>	<b>(206,823)</b>	<b>(71,692)</b>
Income tax benefit/(expense)	(4,530)	-
<b>Loss from continuing operations</b>	<b>(211,353)</b>	<b>(71,692)</b>
<b>Loss attributable to members of the parent entity</b>	<b>(211,353)</b>	<b>(71,692)</b>
<b>Total comprehensive loss for the period</b>	<b>(211,353)</b>	<b>(71,692)</b>
<b>Earnings per share:</b>	<i>Cents</i>	<i>Cents</i>
Basic earnings per share	(0.17)	(1.79)
Diluted earnings per share	(0.17)	(1.79)

The statement of comprehensive income is to be read in conjunction with the notes to the interim financial report.

## Interim statement of financial position

As at 31 December 2011

	Note	31 December 2011 \$	30 June 2011 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	15,400,309	17,781,987
Trade and other receivables		74,391	194,824
Other current assets		363,921	178,275
<b>TOTAL CURRENT ASSETS</b>		<b>15,838,621</b>	<b>18,155,086</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		249,807	212,767
Exploration and evaluation assets	7	11,529,163	9,597,272
<b>TOTAL NON-CURRENT ASSETS</b>		<b>11,778,970</b>	<b>9,810,039</b>
<b>TOTAL ASSETS</b>		<b>27,617,591</b>	<b>27,965,125</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		253,022	465,496
Short-term borrowings		53,840	7,925
Short-term provisions		62,009	22,830
<b>TOTAL CURRENT LIABILITIES</b>		<b>368,871</b>	<b>496,251</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings		87,938	89,155
Long-term provisions		4,182	1,196
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>92,120</b>	<b>90,351</b>
<b>TOTAL LIABILITIES</b>		<b>460,991</b>	<b>586,602</b>
<b>NET ASSETS</b>		<b>27,156,600</b>	<b>27,378,523</b>
<b>EQUITY</b>			
Issued capital		26,718,899	26,729,469
Reserves		2,907,500	2,907,500
Retained losses		(2,469,799)	(2,258,446)
<b>TOTAL EQUITY</b>		<b>27,156,600</b>	<b>27,378,523</b>

The statement of financial position is to be read in conjunction with the notes to the interim financial report.



## Interim statement of changes in equity

### For the half-year ended 31 December 2011

	Note	Issued Capital Ordinary \$	Share Option Reserve \$	Retained Earnings \$	Total Equity \$
<b>Balance at 1 July 2010</b>		197,699	-	(6,746)	190,953
Total comprehensive loss for the period		-	-	(71,692)	(71,692)
Issue of shares to seed capital investors		1,300,000	-	-	1,300,000
<b>Balance at 31 December 2010</b>		<u>1,497,699</u>	<u>-</u>	<u>(78,438)</u>	<u>1,419,261</u>
<b>Balance at 1 July 2011</b>		26,729,469	2,907,500	(2,258,446)	27,378,523
Total comprehensive loss for the period		-	-	(211,353)	(211,353)
Transaction costs (net of tax)		(10,570)	-	-	(10,570)
<b>Balance at 31 December 2011</b>		<u>26,718,899</u>	<u>2,907,500</u>	<u>(2,469,799)</u>	<u>27,156,600</u>

The statement of changes in equity is to be read in conjunction with the notes to the interim financial report.

## Interim statement of cash flows

For the half-year ended 31 December 2011

	Half year ended 31 Dec 2011 \$	Half year ended 31 Dec 2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(532,703)	(111,878)
Interest received	204,004	8,825
Finance costs	(5,434)	-
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	(334,133)	(103,053)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(116,193)	(5,313)
Payments for exploration activities	(1,960,430)	(660,755)
<b>NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>	(2,076,623)	(666,068)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	1,300,000
Payment of transaction costs for issue of shares	(14,012)	-
Proceeds from borrowings	65,658	-
Repayment of borrowings	(22,568)	-
<b>NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>	29,078	1,300,000
Net increase/(decrease) in cash and cash equivalents	(2,381,678)	530,879
Cash at the beginning of the period	17,781,987	200,000
<b>CASH AT THE END OF THE PERIOD</b>	<b>6</b> 15,400,309	730,879

The statement of cash flows is to be read in conjunction with the notes to the interim financial report.

# Notes to the condensed interim financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

## 1. Corporate information

The interim financial statements of the Company for the six months ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 15 March 2012.

Musgrave Minerals Ltd is a limited company incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange under the symbol MGV. The principal activities of the company 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 carried out during the year.

## 2. Basis of preparation and change to the Group's accounting policies

### Basis of preparation

The interim financial statements for the six months ended 31 December have been prepared in accordance with AASB 134 Interim Financial Reporting.

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2011.

### New standards, interpretations and amendments adopted by the Group

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2011, except for the adoption of Improvements to AASBs 2010 (2010 Improvements) as of 1 January 2011. The 2010 Improvements made several minor amendments to AASBs. The relevant amendments and their effects on the current period or prior periods are described below.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

### Amendment to AASB 101 Presentation of Financial Statements

The amendment provides a choice of presenting the reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group presents such reconciliations in the Statement of Changes in Equity. Accordingly, there has been no change to the Company's financial statements.

### Amendments to AASB 134 Interim Financial Reporting

The amendments clarified certain disclosures relating to events and transactions that are significant to an understanding of changes in the Group's circumstances since the last annual financial statements. The Group's interim financial statements as of 31 December 2011 reflect these amended disclosure requirements, where applicable.

## Notes to the condensed interim financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

### 3. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these estimates.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2011. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

### 4. Significant events and transactions

No significant events or transactions occurred during the period under review.

### 5. Segment reporting

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

### 6. Cash and cash equivalents

	31 Dec 2011 \$	30 Jun 2011 \$
Cash at bank and on hand	1,320,309	651,987
Term deposits	14,080,000	17,130,000
	15,400,309	17,781,987

### 7. Exploration and evaluation assets

	31-Dec 2011 \$	30-Jun 2011 \$
Exploration, evaluation and development costs carried forward in respect of mining areas of interest		
Exploration and evaluation phases	11,529,163	9,597,272
	11,529,163	9,597,272

## Notes to the condensed interim financial statements

### FOR THE HALF YEAR ENDED 31 DECEMBER 2011

<b>Consolidated group</b>	<b>Exploration</b>	<b>Total</b>
Capitalised tenement expenditure movement reconciliation	\$	\$
Balance at beginning of year	9,597,272	9,597,272
Additions through expenditure capitalised	1,719,005	1,719,005
Stamp duty incurred on acquisition of tenements	212,886	212,886
Balance at end of year	<u>11,529,163</u>	<u>11,529,163</u>

#### 8. Subsequent events

On 24 January 2012, the Company announced the issue of 525,000 share options under the Company's Employee Share Option Plan. The options have an expiry date of 23 January 2017 and an exercise price of \$0.25. The total fair value of the options is \$37,478.

#### 9. Contingent liabilities

There has been no change in contingent liabilities since the last reporting date.

## Directors' Declaration

In the opinion of the directors of Musgrave Minerals Ltd:

- (a) the financial statements and notes of Musgrave Minerals Ltd are in accordance with the Corporations Act 2001, including:
  - (i) give a true and fair view of its financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
  - (ii) comply with Accounting Standard AASB 134 Interim Financial Reporting; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'G. Ascough', written in a cursive style.

Graham Ascough  
Chairman

15 March 2012

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

We have reviewed the accompanying half-year financial report of Musgrave Minerals Limited ("Company"), which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration

### **Directors' responsibility for the half-year financial report**

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Musgrave Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


**Independence**

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

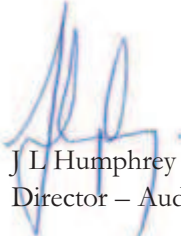
**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Musgrave Minerals Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J L Humphrey  
Director – Audit & Assurance Services

Adelaide, 15 March 2012