MUSGRAVE MINERALS LTD

ABN 12 143 890 671

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

Contents

Corporate information

This annual report covers Musgrave Minerals Ltd (ABN 12 143 890 671) as an individual entity for the year ended 30 June 2012. Musgrave's functional and presentation currency is Australian dollars.

A description of the Company's operations and of its principal activities is included in the review of operations and activities in the directors' report on page 6.

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

Company Secretary
Mr Donald Stephens

Registered Office
C/- HLB Mann Judd (SA) Pty Ltd
169 Fullarton Road
DULWICH SA 5065

Principal place of business
19 Richardson Street
WEST PERTH WA 6005

Share Register
Computershare Investor Securities Pty Ltd
Level 5, 115 Grenfell Street
ADELAIDE SA 5000

Legal Advisors
O'Loughlins Lawyers
Level 2, 99 Frome Street
ADELAIDE SA 5000

Bankers
National Australia Bank
22 - 28 King William Street
ADELAIDE SA 5000

Auditors
Grant Thornton Audit Pty Ltd
Chartered Accountants
Level 1
67 Greenhill Road
WAYVILLE SA 5034

Directors' report

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

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

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

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

Names, qualifications, experience and special responsibilities

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

Graham Ascough is a Senior Resources Executive with more than 23 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 programmes 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 Limited 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 Limited (acquired by Xstrata Plc in 2006).

Mr Ascough is also Non- Executive Chairman of ASX listed Aguia Resources Limited. He is a Councillor of the South Australian Chamber of Mines and Energy and is Chair of its Exploration Committee. He is a member of the Australian Institute of Mining and Metallurgy and is a Professional Geoscientist of Ontario, Canada.

Other directorships:
Mithril Resources Ltd (Appointed 9 October 2006)
Aguia Resources Limited (Appointed 19 October 2010)

Mr Robert Waugh
MSc, BSc, FAusIMM, MAIG (Manging Director), Director since 6 March 2011

Robert Waugh has over 24 years of experience in the resources sector including more than eight years in the Musgrave region. Mr Waugh was a critical member of the WMC Resources Limited exploration team that discovered the massive Nebo-Babel nickel/copper/PGM deposit at West Musgrave in 2000. He was subsequently Project Manager of the team that defined the initial resource at Nebo-Babel. Mr Waugh has held senior exploration management roles at WMC Resources (WMC), BHP Billiton Exploration Limited (BHP), Fusion Resources Limited, Cameco Australia Limited and Raisama Limited. Mr Waugh spent over 19 years with WMC and subsequently BHP, following the takeover of WMC in 2005. He has extensive exploration and mining experience in a range of commodities including nickel, copper, gold, uranium and PGMs. Mr Waugh holds a Bachelor of Science degree majoring in geology from the University of Western Australia and a Masters of Science in Mineral Economics from Curtin University and the Western Australian School of Mines. Mr Waugh is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Waugh is a member of the Company's audit committee.

Other directorships:
None

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

Kelly Ross is a qualified accountant holding a Bachelor of Business (Accounting) and has the designation CPA from the Australian Society of Certified Practicing Accountants. Mrs Ross is a Chartered Secretary with over 25 years' experience in accounting and administration in the mining industry and was the Company Secretary of Independence Group NL for 10 years. Mrs Ross is currently a Non-Executive Director of Independence Group NL (ASX). Mrs Ross is the chair of the Company's audit committee.

Other directorships:
Independence Group NL (Appointed 16 September 2002)

Mr John Percival
Non-Executive Director, Director since 26 May 2010

John Percival has been involved in investment and merchant banking for over 25 years including 15 years as Investment Manager of Barclays Bank New Zealand Limited. In addition he has extensive experience in stockbroking, corporate finance and investment management. Mr Percival is currently Executive Director - Operations of Goldsearch Limited (ASX).

Other directorships:
Goldsearch Limited (Appointed 11 October 1995)

Company Secretary

Mr Donald Stephens
BAcc, FCA, Company Secretary since 26 May 2010

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

REVIEW OF OPERATIONS

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. We have a leading exploration landholding in the Musgrave region, with tenements covering an area in excess of 50,000 km^2.

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). Musgrave Minerals continues to develop the strong relationship with the APY people that our cornerstone investor companies had commenced.

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

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

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

During Musgrave Minerals' first full year of operation, the Company focused on two main project areas, Deering Hills and Moorilyanna. During this period, we successfully completed three drilling campaigns at Deering Hills and one at Moorilyanna, along with a range of other field activities to advance targets to a drill-ready stage. The Company has successfully demonstrated the prospectivity of the area by identifying magmatic nickel-copper sulphide mineralisation at Deering Hills and primary hydrothermal copper mineralisation at Moorilyanna.

Musgrave Minerals is continuing to define new targets through the use of 3D magnetic and gravity modelling along with airborne electromagnetics, geological mapping, geochemistry and ground electrical geophysical surveys. The Company is developing a pipeline of targets for drill testing in the next 12 months. The exploration completed to date clearly demonstrates our ability to be an effective explorer in the region and validates our exploration strategy and targeting methodologies.

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

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

The details of the Company's exploration will be available in the Exploration Activities section of the Annual Report.

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

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

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

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Graham Ascough	200,000	750,000
Robert Waugh	80,000	5,000,000
John Percival	100,000	500,000
Kelly Ross	50,000	500,000

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

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

- to carry out exploration of mineral tenements by agreement, both on a joint venture basis and by the Company in its own right;
- to continue to seek extensions of areas held and to seek out new areas with mineral potential; and
- to evaluate results achieved through surface sampling, geophysical surveys and drilling activities carried out during the year.

RISK MANAGEMENT
The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which is designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of performance indicators of both a financial and non financial nature.

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

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

ENVIRONMENTAL REGULATIONS
The Company is aware of its responsibility to impact as little as possible on the environment, and where there is any disturbance, to rehabilitate sites. During the year under review the work carried out was in South Australia and the entity followed procedures and pursued objectives in line with guidelines published by the South Australian Government. These guidelines are quite detailed and encompass not only the impact on the land and vegetation but covers such subjects as pollution, approvals from relevant parties including land owners and land users, heritage, health and safety and proper restoration practices. The Company supports this approach and is confident that it properly monitors and adheres to these objectives, and any local conditions applicable, both in South Australia and elsewhere.

The Company is committed to minimising environmental impacts during all phases of exploration, development and production through a best practice environmental approach. The Company shares responsibility for protecting the environment for the present and the future. It believes that carefully managed exploration programs should have little or no long-lasting impact on the environment and the Company has formed a best practice policy for the management of its exploration programs. The Company properly monitors and adheres to this approach and there were no environmental incidents to report for the year under review. Furthermore, the Company is in compliance with the state and/or commonwealth environmental laws for the jurisdictions in which it operates.

OCCUPATIONAL HEALTH, SAFETY AND WELFARE
In running its business, Musgrave Minerals Ltd aims to protect the health, safety and welfare of employees, contractors and guests. In the reporting year the Company experienced no medical aid incidents and no lost time injuries. The Company reviews its Occupational Health, Safety and Welfare (OHS&W) policy at regular intervals to ensure a high standard of OHS&W.

SUBSEQUENT EVENTS
There were no significant events that occurred after balance date.

Unissued Shares
At the date of this report, the following options to acquire ordinary shares in the Company were on issue:

Issue Date	Expiry Date	Exercise Price	Balance at 1 July 2011	Net Issued/(Exercised or expired) during year	Balance at 30 June 2012
21/08/2010	20/08/2015	$0.25	7,750,000	-	7,750,000
17/02/2011	17/02/2016	$0.36	4,750,000	-	4,750,000
17/02/2011	17/02/2016	$0.50	2,500,000	-	2,500,000
09/05/2011	08/05/2016	$0.36	500,000	-	500,000
24/01/2012	23/01/2017	$0.25	-	525,000	525,000
			15,500,000	**525,000**	**16,025,000**

SHARE OPTIONS

Shares issued as a result of exercise of options
Not shares were issued during the year as a result of an exercise of options.

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

To the extent permitted by law, the Company has indemnified (fully insured) each Director and the Company Secretary of the Company for a premium of $13,452. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for Directors and executives of Musgrave Minerals Ltd.

Remuneration philosophy

The Board is responsible for determining remuneration policies applicable to Directors and senior executives of the Company. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration consideration is given by the Board to the Company's financial performance.

Employment contracts

The employment conditions of the Managing Director, Mr Robert Waugh, are formalised in an employment contract. Under this contract, the Company agrees to employ Mr Waugh as Managing Director of the Company for a period of three years commencing on 7 March 2011 with his current gross annual salary, inclusive of 9% superannuation guarantee, being $290,000. The Company may terminate the employment contract without cause by providing six (6) months written notice or making payment in lieu of notice, based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

The employment conditions of the Exploration Manager, Dr Justin Gum, are formalised in a contract of employment. Dr Gum commenced employment on 1 October 2010 and his current gross annual salary, inclusive of superannuation guarantee, is $171,675. Either party may terminate the employment contract without cause by providing one (1) month's written notice or making payment in lieu of notice (in the case of the Company) or forfeiture of one month's salary (in the case of Dr Gum), based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Key management personnel remuneration and equity holdings

The Board currently determines the nature and amount of remuneration for Board members and senior executives of the Company. The policy is to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives.

The non-executive directors and other executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to directors and executives is expensed as incurred. Executives are also entitled to participate in the Company share option scheme. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates based on comparable companies for time, commitment and responsibilities. The Board determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Table 1: Director remuneration for the year ended 30 June 2012 and 30 June 2011

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

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

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

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

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

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

++ Graham Ascough and Donald Stephens are Non-Executive Directors of Mithril Resources Ltd which is the beneficial holder of 7.67% of the issued capital of Musgrave Minerals Ltd. John Percival is an Executive Director of Goldsearch Ltd which is the benficial holder of 7.17% of the issued capital of Musgrave Minerals Ltd. Kelly Ross is a Non-Executive Director of Independence Group NL which is teh beneficial holder of 7.46% of the issued capital of Musgrave Minerals Ltd.

USE OF REMUNERATION CONSULTANTS

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

VOTING AND COMMENTS MADE AT THE COMPANY'S 2011 ANNUAL GENERAL MEETING

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

DIRECTORS' MEETINGS

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

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

Members acting on the audit committee are:
Kelly Ross (Chairperson)
Graham Ascough
Robert Waugh

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Grant Thornton Audit Pty Ltd, in its capacity as auditor for Musgrave Minerals Ltd, has not provided any non-audit services throughout the reporting period. The auditor's independence declaration for the year ended 30 June 2012 as required under section 307C of the Corporations Act 2001 has been received and can be found on page 12.

Signed in accordance with a resolution of the Directors.

Mr Graham Ascough
Chairman

25 September 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
W www.grantthornton.com.au

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Musgrave Minerals Ltd for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Director – Audit & Assurance Services

Adelaide, 25 September 2012

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2012

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

Earnings per share:		*Cents*	*Cents*
Basic earnings per share	**8**	(0.23)	(7.56)
Diluted earnings per share	**8**	(0.23)	(7.56)

Statement of Financial Position

AS AT 30 JUNE 2012

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2012

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

		Issued capital	Retained losses	Share option reserve	Total
Balance at 1 July 2011		26,729,469	(2,258,446)	2,907,500	27,378,523
Total comprehensive loss		-	(276,182)	-	(276,182)
Share based payments	**14**	-	-	37,485	37,485
Transaction costs (net of tax)	**18**	(10,570)	-	-	(10,570)
Balance as at 30 June 2012		26,718,899	(2,534,628)	2,944,985	27,129,256

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,069,074)	(847,300)
Finance costs		(10,564)	-
Interest received		877,147	227,039
NET CASH USED IN OPERATING ACTIVITIES	**9**	(202,491)	(620,261)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(152,240)	(221,246)
Payments for exploration activities		(3,860,767)	(1,895,131)
NET CASH USED IN INVESTING ACTIVITIES		(4,013,007)	(2,116,377)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	21,300,000
Transaction costs on issue of shares		(14,012)	(1,078,455)
Proceeds from borrowings		65,658	-
Repayment of borrowings		(47,275)	97,080
NET CASH PROVIDED BY FINANCING ACTIVITIES		4,371	20,318,625
Net (decrease)/increase in cash and cash equivalents		(4,211,127)	17,581,987
Cash at the beginning of the year		17,781,987	200,000
CASH AT THE END OF THE YEAR		13,570,860	17,781,987

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

1 Nature of operations

Musgrave Minerals Ltd principal activities are to carry out exploration of mineral tenements, to continue to seek extensions of areas held and to seek out new areas with mineral potential and to evaluate results achieved through surface sampling, geophysical surveys and drilling activities.

2 General information and statement of compliance

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

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

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

3 Changes in accounting policies

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

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

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

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

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

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

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

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

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

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

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

AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income (AASB 101 Amendments)
The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Company's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

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

AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 112 Inventories if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met (as an addition to, or enhancement of, an existing asset). The interpretation is applicable for annual periods beginning on or after 1 January 2013. The interpretation will have no impact on the Company as it has no mining activities.

4 Summary of accounting policies

(a). Overall considerations

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

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

(b). Income Tax

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

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

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

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

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

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

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

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

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

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

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

(c). Property, Plant and Equipment

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

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

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

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

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

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

The useful life for each class of depreciable assets are:

Class of Fixed Asset	Useful life
Plant and equipment	2 - 10 years
Motor Vehicles	6 - 8 years

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

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

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

(d). Exploration and Development Expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

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

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

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e). Leases

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

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

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

(f). Impairment testing of non-current assets

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

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

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

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

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

(g). Financial Instruments

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

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

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

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

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

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

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

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

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

(ii). **Classification and subsequent measurement of financial liabilities**
The Company's financial liabilities include borrowings and trade and other payables.

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

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

(h). Interests in Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Company recognises its interest in the jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Company also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

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

(i). Equity-settled compensation

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

(j). Provisions

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

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

(k). Cash and Cash Equivalents

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

(l). Revenue and Other Income

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

Interest revenue is recognised using the effective interest rate method.

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

(m). Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

(n). Goods and Services Tax (GST)

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

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

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

(o). Government Grants

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

(p). Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q). Earnings per share

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

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

(r). Comparative Figures

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

(s). Critical Accounting Estimates and Judgments

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

Key estimates

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

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

5 Operating Segments

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

6 Revenue and expenses

	2012 $	2011 $
(a) Other income		
Fuel tax credits	11,345	-
Interest received	914,964	227,039
	926,309	227,039
(b) Depreciation of non-current assets		
Plant and equipment	81,411	11,212
Motor vehicles	29,994	1,811
	111,405	13,023
(c) Finance expenses		
Finance costs	592	-
Interest applicable to hire-purchase	10,542	903
	11,134	903
(d) Employees benefits expense		
Wages, salaries, directors fees and other remuneration expenses	1,173,740	629,402
Superannuation expense	101,473	19,982
Transfer to/(from) annual leave provision	64,230	22,830
Transfer to/(from) long service leave provision	2,986	1,196
Share-based payments expense	37,485	1,385,000
Transfer to capitalised tenements	(870,124)	(215,317)
	509,790	1,843,093

	2012 $	2011 $
(e) Other expenses		
Secretarial, professional and consultancy	88,776	105,258
Occupancy costs	100,722	35,616
Share register maintenance	34,495	9,986
Insurance costs	33,766	11,935
Promotion, advertising and sponsorship	25,301	28,611
ASIC and securities exchange fees	33,221	6,959
Travel expenses	38,004	27,939
Audit fees	13,250	14,000
Computer expenses	39,438	17,213
Recruitment costs	31,610	-
Employer related on costs	34,563	-
Other expenses	92,486	53,978
	565,632	311,495

7 Income tax expense

	2012 $	2011 $
The major components of income tax expense are:		
Current income tax charge/(benefit)	4,530	310,225
Income tax expense/(benefit) reported in the income statement	4,530	310,225
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:		
Accounting profit before income tax	(271,652)	(1,941,475)
At the Company's statutory income tax rate of 30% (2011: 30%)	(81,496)	(582,443)
Immediate write off of capital expenditure	(1,182,503)	(860,873)
Expenditure not allowable for income tax purposes	11,830	415,624
Other deductible items	(64,905)	(64,905)
Tax losses not recognised due to not meeting recognition criteria	1,317,074	1,092,597
Tax portion of share issue costs	4,530	310,225
	4,530	310,225

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

8 Earnings per share

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

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:

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

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

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

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

9 Cash and cash equivalents

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

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

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

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

10 Trade and other receivables

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

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

11 Other current assets

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

12 Property, plant and equipment

	2012 $	2011 $
Plant and equipment		
Cost		
Opening balance	128,761	4,612
Additions	54,478	124,149
Disposals	(2,083)	-
	181,156	128,761
Accumulated depreciation		
Opening balance	11,280	68
Depreciation	81,411	11,212
Disposals	(1,071)	-
	91,620	11,280
Net book value of plant and equipment	89,536	117,481
Motor Vehicles		
Cost		
Opening balance	97,097	-
Additions	69,448	97,097
	166,545	97,097
Accumulated depreciation		
Opening balance	1,811	-
Depreciation	29,994	1,811
	31,805	1,811
Net book value of motor vehicles	134,740	95,286
Total net book value of property, plant and equipment	224,276	212,767

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

Plant and equipment 2 to 10 years
Motor Vehicles 6 - 8 years

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

13 Exploration and evaluation assets

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

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

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

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

14 Share based payments

Employee Share Option Plan

The Company has established the Musgrave Minerals Ltd Employee Share Option Plan and a summary of the Rules of the Plan are set out below:

- All employees (full and part time) will be eligible to participate in the Plan after a qualifying period of 12 months employment by a member of the Company, although the Board may waive this requirement.
- Options are granted under the Plan at the discretion of the board and if permitted by the board, may be issued to an employee's nominee.
- Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue. Options will be issued free. The exercise price of options will be determined by the board, subject to a minimum price equal to the market value of the Company's shares at the time the board resolves to offer those options. The total number of shares the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.
- If, prior to the expiry date of options, a person ceases to be an employee of a Group company for any reason other than retirement at age 60 or more (or such earlier age as the board permits), permanent disability, redundancy or death, the options held by that person (or that person's nominee) automatically lapse on the first to occur of a) the expiry of the period of 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 Comprehensive Income in relation to share-based payments is disclosed in note 6 (d). The following table illustrates the number (No.) and weighted average exercise prices (WAEP) and movements in share options under the Company's Employee Share Option Plan issued during the year:

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

The outstanding balance as at 30 June 2011 is represented by:

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

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

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

The weighted average fair value of options granted during the year was $0.071 (2011: $0.188).

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the year ended 30 June 2012 and 30 June 2011:

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

15 Trade and other payables

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

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

ii. Other payables are non-interest bearing and are normally settled within 30 - 90 days.

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

16 Borrowings

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

17 Provisions

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

18 Issued capital

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

	2012		2011	
	Number	$	Number	$
Ordinary shares				
Balance at beginning of financial year	121,000,000	26,475,469	4,000,000	197,699
Seed capital issued 18 November 2010	-	-	10,178,000	1,017,800
Seed capital issued 7 December 2010	-	-	2,822,000	28,200
Shares issued pursuant to prospectus	-	-	80,000,000	20,000,000
Shares issued as consideration for tenements acquired	-	-	24,000,000	6,000,000
Transaction costs on share issue (net of tax)	-	(10,570)	-	(768,230)
Balance at end of financial year	121,000,000	26,464,899	121,000,000	26,475,469

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

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

19 Reserves

	2012 $	2011 $
Share option reserve (a)	2,944,985	2,907,500
	2,944,985	2,907,500

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

20 Retained earnings

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

21 Committments for expenditure

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

Exploration leases

In order to maintain current rights of tenure to exploration tenements held under agreement with founding shareholders, the Company will be required to spend in the year ending 30 June 2012 net amounts of approximately $1,835,000 (2011: $1,200,000) in respect of tenement lease rentals and to meet minimum expenditure requirements. These obligations are expected to be fulfilled in the normal course of operations.

22 Contingent liabilities and contingent assets

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

23 Auditor's remuneration

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

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

24 Financial risk management

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

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

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

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

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

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

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

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

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

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

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

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

Liquidity and interest risk tables
The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

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

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

25 Related party disclosure and key management personnel remuneration

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

Graham Ascough, Non-Executive Chairman
Robert Waugh, Managing Director
Kelly Ross, Non-Executive Director
John Percival, Non-Executive Director
Justin Gum, Exploration Manager

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

(a). *Option holdings of Key Management Personnel*

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

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

(b). *Shareholdings of Key Management Personnel*

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

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

26 Subsequent events

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

Directors' Declaration

The Directors of the company declare that:

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

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

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

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

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

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

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

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

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

Mr Graham Ascough
Chairman

25 September 2012

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
W www.grantthornton.com.au

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

Report on the financial report

We have audited the accompanying financial report of Musgrave Minerals Ltd (the "Company"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the 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 Ltd is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the remuneration report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Musgrave Minerals Ltd for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Director – Audit & Assurance Services

Adelaide, 25 September 2012