Musgrave Minerals Limited

ABN 12 143 890 671

Annual Financial Report

for the year ended 30 June 2013

Contents

Corporate information

This annual report covers Musgrave Minerals Limited (ABN 12 143 890 671) as an individual entity and the Consolidated Group comprising of Musgrave Minerals Limited and its subsidiary for the year ended 30 June 2013. Musgrave's functional and presentational currency is Australian dollars.

A description of the Group'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
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 Registry
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 and its subsidiary (the Group) for the financial year ended 30 June 2013.

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

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

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

Names, qualifications, experience and special responsibilities

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

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

Mr Ascough is a geophysicist by training and was the Managing Director of ASX listed Mithril Resources 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).

He is a Member of the Australian Institute of Mining and Metallurgy, and is a Professional Geoscientist of Ontario, Canada. Mr Ascough is a member of the Company's audit committee.

Other directorships:
Mithril Resources Ltd (Appointed 9 October 2006)
Aguia Resources Limited (Appointed 19 October 2010)
Phoenix Copper Limited (Appointed 10 December 2012)
AO Energy Limited (Appointed 31 July 2013)

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

Robert Waugh has over 24 years of experience in the resources sector including more than eight years in the Musgrave region. Mr Waugh was a critical member of the WMC Resources Limited exploration team that discovered the Nebo-Babel nickel/copper/PGM deposit at West Musgrave in 2000. He was subsequently Project Manager of the team that defined the initial resource at Nebo-Babel. Mr Waugh has held senior exploration management roles 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 Master of Science in Mineral Economics from Curtin University and the Western Australian School of Mines. Mr Waugh is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Waugh is a member of the Company's audit committee.

Other directorships:
None

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

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

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

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

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

Other directorships:
Goldsearch Limited (Appointed 11 October 1995)

Company Secretary

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

Mr Stephens is a Chartered Accountant and corporate adviser with over 25 years experience in the accounting industry, including 14 years as a partner of HLB Mann Judd (SA), a firm of Chartered Accountants. He is a director of Mithril Resources Ltd, Papyrus Australia Ltd, Lawson Gold Ltd, AO Energy Limited and was formerly a director of TW Holdings Ltd (resigned 14 December 2012). Additionally he is Company Secretary to Minotaur Exploration Ltd, Mithril Resources Ltd, Petratherm Ltd and Toro Energy Limited. 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 Limited (ASX: MGV) is an Australian-based exploration company focused on base metal, gold and silver exploration in the Musgrave Province and Gawler Craton regions of South Australia. Musgrave Minerals is focused on exploring for massive and disseminated nickel and copper sulphide mineralisation in the Musgrave region and high grade silver-lead-zinc mineralisation at Menninnie Dam.
In South Australia, the Musgrave Province lies almost entirely within Anangu Pitjantjatjara Yankunytjatjara ("APY") land (Aboriginal freehold land). Musgrave Minerals continues to develop a strong relationship with the APY and is continuing to progress new exploration tenements to grant in the Musgrave region. Musgrave Minerals holds 11 granted exploration licences totalling more than 12,900km2 and an additional 31 exploration licence applications covering more than 37,000km2.
During the year the Company entered an agreement with Menninnie Metals Pty Ltd, a subsidiary of Terramin Australia Limited (ASX: TZN), to earn a 51% interest in the Menninnie Dam Project in the first stage, and up to a 75% interest thereafter. Menninnie Dam, approximately 100km west of Port Augusta in South Australia, is an under-explored silver-zinc-lead project comprising five licences which cover an area of 2,471km2 in the southern Gawler Craton.

Musgrave Minerals is focused on making a new mineral discovery in these very prospective and under-explored regions to drive shareholder value whist maintaining its high standards in community relations and sustainable development.

During Musgrave Minerals' second full year of operation, the Company focused on two main project areas in the Musgrave, Deering Hills and Mt Woodroffe and the Menninnie Dam project in the southern Gawler Craton. During this period, we successfully completed two drilling campaigns at Deering Hills and four at Menninnie Dam, along with a range of other field activities including geophysical and geochemical surveys to advance targets to a drill-ready stage. The Company has successfully demonstrated the prospectivity of its projects and intersected new silver, zinc and gold mineralisation at Tank Hill at Menninnie Dam.
The Company has developed a pipeline of targets for drill testing over the next 12 months. The use of 3D magnetic and gravity modelling along with airborne electromagnetics, geological mapping, geochemistry, geochronology and ground electrical geophysical surveys is integral in our exploration.
Musgrave Minerals is continuing to liaise with university and government research institutes such as the Geological Survey of South Australia, Geoscience Australia, CSIRO and the Centre for Exploration Targeting to leverage geoscientific knowledge and maximise exploration efficiency in our targeting and programs.

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

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

OPERATING RESULTS

The loss of the Group after providing for income tax amounted to $585,809 (2012: $276,182).

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

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

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

DIVIDENDS PAID OR RECOMMENDED

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

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were:

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

RISK MANAGEMENT

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

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

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

FUTURE DEVELOPMENTS

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

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

OCCUPATIONAL HEALTH, SAFETY AND WELFARE

In running its business, Musgrave Minerals Ltd aims to protect the health, safety and welfare of employees, contractors and guests. In the reporting year the Company experienced one medical aid incident and no lost time injuries. The Company reviews its Health and Safety policy at regular intervals to ensure a high standard of Health and Safety.

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 2012	Net Issued/(Exercised or expired)	Balance at 30 June 2013
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	(150,000)	375,000
06/03/2013	05/03/2018	$0.25	-	500,000	500,000
25/03/2013	24/03/2018	$0.25	-	75,000	75,000
			16,025,000	**425,000**	**16,450,000**

SHARE OPTIONS

Shares issued as a result of exercise of options

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

New options issued

During the financial year a total of 575,000 unlisted options were issued to employees as an incentive. The options are exercisable at $0.25 and expire 24 March 2018 (75,000) and 5 March 2018 (500,000). Refer to note 13 to the financial statements for further information.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

To the extent permitted by law, the Group has indemnified (fully insured) each Director and the Company Secretary of the Group for a premium of $13,236. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Group or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

REMUNERATION REPORT - AUDITED

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

Remuneration philosophy

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

Employment contracts

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

The employment conditions of the Exploration Manager, Mr Ian Warland, are formalised in a contract of employment. Mr Warland commenced employment on 6 March 2013 and his current gross annual salary, inclusive of superannuation guarantee, is $218,000. Either party may terminate the employment contract without cause by providing one (1) month's written notice or making payment in lieu of notice (in the case of the Company) or forfeiture of one month's salary (in the case of Mr Warland), based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

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

Table 1: Director remuneration for the year ended 30 June 2013 and 30 June 2012

	Short-term employee benefits	Post employment benefits	Share based payments	Total
	Salary & Fees $	Superannuation $	Options	$
Graham Ascough **				
2013	65,000	-	-	65,000
2012	65,100	-	-	65,100
Robert Waugh **				
2013	266,055	23,945	-	290,000
2012	266,055	23,945	-	290,000
Kelly Ross **				
2013	45,000	4,050	-	49,050
2012	45,000	4,050	-	49,050
John Percival **				
2013	46,012	3,038	-	49,050
2012	45,000	4,050	-	49,050
Total				
2013	422,067	31,033	-	453,100
2012	421,155	32,045	-	453,200

Table 2: Remuneration of key management personnel for the year ended 30 June 2013 and 30 June 2012

	Short-term employee benefits	Post employment benefits	Share based payments	Total
	Salary & Fees $	Superannuation $	Options $	$
Justin Gum				
2013	156,875	14,119	-	170,994
2012	139,000	24,500	-	163,500
Ian Warland				
2013	51,571	4,641	21,550	77,762
2012	-	-	-	-
Donald Stephens * & **				
2013	-	-	-	-
2012	-	-	-	-
Total				
2013	208,446	18,760	21,550	248,756
2012	139,000	24,500	-	163,500

* HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation and secretarial services provided during the year amounting to $150,541 including GST (2012: $131,671). 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 beneficial 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 the 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 2012 ANNUAL GENERAL MEETING

Musgrave Minerals Ltd received more than 98% of "yes" votes on its remuneration report for the 2012 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	7	7	2	2
Robert Waugh	7	7	2	2
John Percival	7	7	2	2
Kelly Ross	7	7	2	2

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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 2013 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 2013

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Musgrave Minerals Limited for the year ended 30 June 2013, 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

Adelaide, 25 September 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated Group Year ended	
		30 June 2013	**30 June 2012**
		$	**$**
Other income	**5 (a)**	581,613	926,309
Impairment of exploration and evaluation assets		(354,939)	-
Employee benefits expense	**5 (d)**	(464,272)	(509,790)
Depreciation expense	**5 (b)**	(89,049)	(111,405)
Finance expenses	**5 (c)**	(8,271)	(11,134)
Other expenses	**5 (e)**	(543,517)	(565,632)
Loss before income tax expense		(878,435)	(271,652)
Income tax benefit/(expense)	**6**	292,626	(4,530)
Loss from continuing operations		(585,809)	(276,182)
Loss attributable to members of the parent entity		(585,809)	(276,182)
Other comprehensive income		-	-
Total comprehensive income for the year		(585,809)	(276,182)

Earnings per share:		*Cents*	*Cents*
Basic earnings per share	**7**	(0.48)	(0.23)
Diluted earnings per share	**7**	(0.48)	(0.23)

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

Consolidated Statement of Financial Position

AS AT 30 JUNE 2013

	Note	Consolidated Group 30 June 2013 $	30 June 2012 $
CURRENT ASSETS			
Cash and cash equivalents	8	9,565,706	13,570,860
Trade and other receivables	9	123,681	133,257
Other current assets	10	54,160	182,029
TOTAL CURRENT ASSETS		9,743,547	13,886,146
NON-CURRENT ASSETS			
Property, plant and equipment	11	176,439	224,276
Exploration and evaluation assets	12	17,055,933	13,538,949
TOTAL NON-CURRENT ASSETS		17,232,372	13,763,225
TOTAL ASSETS		26,975,919	27,649,371
CURRENT LIABILITIES			
Trade and other payables	14	251,061	313,432
Short-term borrowings	15	47,293	64,587
Short-term provisions	16	90,517	87,060
TOTAL CURRENT LIABILITIES		388,871	465,079
NON-CURRENT LIABILITIES			
Long-term borrowings	15	6,174	50,854
Long-term provisions	16	13,619	4,182
TOTAL NON-CURRENT LIABILITIES		19,793	55,036
TOTAL LIABILITIES		408,664	520,115
NET ASSETS		26,567,255	27,129,256
EQUITY			
Issued capital	17	26,718,899	26,718,899
Reserves	18	2,958,083	2,944,985
Retained earnings	19	(3,109,727)	(2,534,628)
TOTAL EQUITY		26,567,255	27,129,256

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated Group			
	Note	Issued Capital Ordinary $	Share Option Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2011		26,729,469	2,907,500	(2,258,446)	27,378,523
Total comprehensive loss for the year		-	-	(276,182)	(276,182)
Share based payments		-	37,485	-	37,485
Transaction costs (net of tax)		(10,570)	-	-	(10,570)
Balance at 30 June 2012		26,718,899	2,944,985	(2,534,628)	27,129,256
Balance at 1 July 2012		26,718,899	2,944,985	(2,534,628)	27,129,256
Total comprehensive loss for the year		-	-	(585,809)	(585,809)
Share based payments		-	23,808	-	23,808
Transfer from share option reserve due to lapse of options under employee share option plan	**18**	-	(10,710)	10,710	-
Balance at 30 June 2013		26,718,899	2,958,083	(3,109,727)	26,567,255

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group Year ended 30 Jun 2013 $	Consolidated Group Year ended 30 Jun 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,073,892)	(1,069,074)
Interest received		689,810	877,147
Finance costs		(7,991)	(10,564)
Receipt of R&D Tax Concession		292,626	-
NET CASH USED IN OPERATING ACTIVITIES	8	(99,447)	(202,491)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(39,112)	(152,240)
Payments for exploration activities		(3,800,309)	(3,860,767)
NET CASH USED IN INVESTING ACTIVITIES		(3,839,421)	(4,013,007)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of transaction costs for issue of shares		-	(14,012)
Proceeds from borrowings		-	65,658
Repayment of borrowings		(66,286)	(47,275)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		(66,286)	4,371
Net increase/(decrease) in cash and cash equivalents		(4,005,154)	(4,211,127)
Cash at the beginning of the year		13,570,860	17,781,987
CASH AT THE END OF THE YEAR	8	9,565,706	13,570,860

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

1. Nature of operations

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

2. General information and statement of compliance

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

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

The financial statements for the year ended 30 June 2013 (including comparatives) were approved and authorised for issue by the Board of Directors on 25 September 2013.

3. Summary of accounting policies

a. Overall considerations

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

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

b. Principle of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Musgrave Minerals Ltd at the end of the reporting period. A controlled entity is any entity over which Musgrave Minerals Ltd has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in note 24 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated Group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of profit or loss and comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

c. Business combinations

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

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

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

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

d. Income Tax

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

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

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

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

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

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

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

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

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

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

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

e. 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other 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 or diminishing value basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful life for each class of depreciable assets are:

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

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

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

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

f. Exploration and Development Expenditure

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

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

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

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

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

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

g. Leases

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

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

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

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

h. Impairment testing of non-current assets

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

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

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

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

i. Financial Instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement

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

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

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

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

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

(i). **Loans and receivables**

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

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

(ii). **Classification and subsequent measurement of financial liabilities**

The Group's financial liabilities include borrowings and trade and other payables.

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

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

j. 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 Group recognises its interest in the jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Group 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 Group has entered into a number of Joint Ventures with various parties to explore on certain tenements that the Company has a beneficial interest in.

k. Equity-settled compensation

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

l. Provisions

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

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

m. Cash and Cash Equivalents

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

n. Revenue and Other Income

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

Interest revenue is recognised using the effective interest rate method.

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

o. Borrowing Costs

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

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

p. Goods and Services Tax (GST)

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

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

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

q. Government Grants

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

r. Contributed equity

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

s. Earnings per share

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

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

t. Comparative Figures

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

u. Critical Accounting Estimates and Judgments

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

Key estimates

(i) Impairment

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

(ii) Exploration and evaluation expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since the evaluation of such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at $17,055,933 (2012: $13,538,949).

v. New and amended standards adopted by the Group

AASB 2010-8 Amendments to Australian Accounting Standard – Deferred Tax: Recovery of Underlying Assets (Applies to annual reporting periods beginning on or after 1 January 2012)

AASB 2010-8 provides clarification on the determination of deferred tax assets and deferred tax liabilities when investment properties are measured using the fair value model in AASB 140 Investment Properties. It introduces a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model where the objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

AASB 2010-8 also includes the requirement that the measurement of deferred tax assets and deferred tax liabilities on non-depreciable assets measured using the revaluation model in AASB 116 Property, Plant and Equipment should always be based on recovery through sale.

These amendments have had no impact on the Group.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (Applies annual reporting periods beginning on or after 1 July 2012)

AASB 2011-9 requires entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially re-classifiable to profit or loss subsequently, and changes the title of ‘statement of comprehensive income’ to ‘statement of profit or loss and other comprehensive income’.

The adoption of the new and revised Australian Accounting Standards and Interpretations has had no significant impact on the Group’s accounting policies or the amounts reported during the current year. The adoption of AASB 2011-9 has resulted in changes to the Group’s presentation of its financial statements.

w. Accounting standards issued but not yet effective and not been adopted early by the Group

The Group notes the following Accounting Standards which have been issued but are not yet effective at 30 June 2013. These standards have not been adopted early by the Group. The Group 's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

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

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.

- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss).

- Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows;

    - The change attributable to changes in credit risk are presented in other comprehensive income (OCI) and;

    - The remaining change is presented in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

(ii) *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (effective 1 January 2013)*

- AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on the transactions and balances recognised in the financial statements.

- AASB 11 replaces AASB 131 Interests in Joint Ventures and AASB Interpretation 113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change.

In addition, AASB 11 removes the option to account for jointly-controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations for liabilities are accounted for by recognising the share of those assets and liabilities. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the joint arrangements in place relate to joint operations.

- AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on the transactions and balances recognised in the financial statements.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. Application of the new standard will impact the type of information disclosed in the notes to the financial statements.

The Group is yet to undertake a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 January 2013.

(iv) Revised AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The AASB released a revised standard on accounting for employee benefits. It requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively.

The Group does not have any defined benefit plans. Therefore, these amendments will have no impact on the Group.

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(v) AASB Interpretation 20 Stripping Costs in the Production Phase of Surface Mining

This interpretation 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 102 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 asset (if certain recognition criteria are met, as an addition to, or enhancement of, an existing asset).

The Group does not operate a surface mine. Therefore, there will be no impact on the financial statements when this interpretation is first adopted for reporting periods commencing from 1 January 2013.

(vi) *AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*

The Standard amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the accounting standards.

When these amendments are first adopted for the year ending 30 June 2014, they are unlikely to have any significant impact on the Group.

(vii) *AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.
This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

When this AASB 2012-2 is first adopted for the year ended 30 June 2014, there will be no impact on the Group as the Group does not have any netting arrangements in place.

(viii) *AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

When AASB 2012-3 is first adopted for the year ended 30 June 2015, there will be no impact on the Group as this standard merely clarifies existing requirements in AASB 132.

(ix) *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)*

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When these amendments are adopted for the first time on 1 January 2014, they are unlikely to have any significant impact on the Group given that they are largely of the nature of clarification of existing requirements.

(x) IFRIC Interpretation 21 Levies

IFRIC 21 addressed how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements (in particular, when the entity should recognise a liability to pay a levy).

IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in a previous period, the obligating event for that levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation.

When this interpretation is adopted for the first time on 1 January 2014, there will be no significant impact on the financial statements as the Group is not subject to any levies addressed by this interpretation.

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

4. Operating Segments

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

5. Revenue and expenses

	Consolidated 2013 $	2012 $
(a) Other income		
Interest revenue	578,699	914,964
Fuel tax credits	2,914	11,345
	581,613	926,309
(b) Depreciation of non current assets		
Plant and equipment	60,199	81,411
Motor Vehicles	28,850	29,994
	89,049	111,405
(c) Finance expenses		
Finance costs	85	592
Interest applicable to hire-purchase	8,186	10,542
	8,271	11,134
(d) Employees benefits expense		
Wages, salaries, directors fees and other remuneration expenses	1,228,097	1,173,740
Superannuation expense	103,772	101,473
Transfer to/(from) annual leave provision	3,457	64,230
Transfer to/(from) long service leave provision	9,437	2,986
Share-based payments expense	23,808	37,485
Transfer to capitalised tenements	(904,299)	(870,124)
	464,272	509,790
(e) Other expenses from ordinary activities		
Secretarial, professional and consultancy	184,824	88,776
Occupancy costs	104,550	100,722
Share register maintenance	33,836	34,495
Insurance costs	30,529	33,766
Promotion, advertising and sponsorship	31,467	25,301
Audit fees	30,264	13,250
Computer expenses	47,053	39,438
Recruitment costs	-	31,610
Employer related on-costs	55,161	34,563
Other expenses	25,833	163,711
	543,517	565,632

6. Income tax (benefit)/expense

	Consolidated 2013 $	2012 $
Statement of Profit or Loss and Other Comprehensive Income		
Current income tax		
Current income tax charge/(benefit)	-	4,530
Research and Development Tax offset	(292,626)	-
Income tax expense/(benefit) reported in the income statement	(292,626)	4,530

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2013 $	2012 $
Accounting profit/(loss) before income tax	(878,435)	(271,652)
At the Group's statutory income tax rate of 30% (2012: 30%)	(263,531)	(81,496)
Immediate write off of capital expenditure	(1,161,577)	(1,182,503)
Expenditure not allowable for income tax purposes	113,993	11,830
Other deductible items	(64,905)	(64,905)
Tax losses not recognised due to not meeting recognition criteria	1,376,020	1,317,074
Tax portion of share issue costs	-	4,530
	-	4,530

The Company has tax losses arising in Australia of $11,102,030 (2012: $6,649,093) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

7. Earnings per share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	2013 $	2012 $
Net profit/(loss) attributable to ordinary equity holders of the parent entity	(585,809)	(276,182)
Weighted average number of ordinary shares for basic earnings per share	121,000,000	121,000,000
Effect of dilution		
Share options	N/A	N/A
Weighted average number of ordinary shares adjusted for the effect of dilution	121,000,000	121,000,000

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

8. Cash and cash equivalents

	Consolidated 2013 $	Consolidated 2012 $
CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	1,155,706	460,860
Short-term deposits	8,410,000	13,110,000
	9,565,706	13,570,860
Reconciliation to Statement of Cash Flows		
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:		
Cash at banks and in hand	1,155,706	460,860
Short-term deposits	8,410,000	13,110,000
	9,565,706	13,570,860
Reconciliation of net loss after tax to net cash flows from operations		
Net loss	(585,809)	(276,182)
Adjustments for non-cash items:		
Depreciation	89,049	111,405
Share based payments	23,808	37,485
Non cash income tax expense	-	4,530
Changes in assets and liabilities		
Decrease/(Increase) in trade and other receivables	9,576	61,567
Decrease/(Increase) in prepayments	643	32,730
Decrease/(Increase) in interest receivable	127,226	(28,962)
Increase/(Decrease) in trade and other payables	223,166	(212,280)
Increase/(Decrease) in employee entitlements	12,894	67,216
Net cash (used in)/provided by operating activities	(99,447)	(202,491)

9. Trade and other receivables

	Consolidated 2013 $	2012 $
Goods & Services Tax receivable	116,656	121,912
Fuel tax credits receivable	7,025	11,345
	123,681	133,257

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

10. Other current assets

Prepayments	3,118	3,761
Accrued income	51,042	178,268
	54,160	182,029

11. Property, plant and equipment

Motor vehicles		
Cost		
Balance at 1 July	166,545	97,097
Additions	-	69,448
Balance at 30 June	166,545	166,545
Accumulated depreciation		
Balance at 1 July	31,805	1,811
Depreciation for the year	28,850	29,994
Balance at 30 June	60,655	31,805
Net book value	105,890	134,740
Property, plant and equipment		
Cost		
Balance at 1 July	181,156	128,761
Additions	41,212	54,478
Disposals	-	(2,083)
Balance at 30 June	222,368	181,156
Accumulated depreciation		
Balance at 1 July	91,620	11,280
Depreciation for the year	60,199	81,411
Disposals	-	(1,071)
Balance at 30 June	151,819	91,620
Net book value	70,549	89,536

	Consolidated 2013 $	Consolidated 2012 $
Total		
Cost		
Opening balance	347,701	225,858
Additions	41,212	123,926
Disposals	-	(2,083)
Balance at 30 June	388,913	347,701
Accumulated depreciation		
Opening balance	123,425	13,091
Depreciation for the year	89,049	111,405
Disposals	-	(1,071)
Balance at 30 June	212,474	123,425
Net book value	**176,439**	**224,276**

12. Exploration and evaluation assets

	Consolidated 2013 $	Consolidated 2012 $
Exploration and evaluation phases	17,055,933	13,538,949
	17,055,933	13,538,949

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

Consolidated group	**Exploration** $
Balance 1 July 2012	13,538,949
Additions through expenditure capitalised	3,871,923
Imairment of relinquished tenements	(354,939)
Balance at 30 June 2013	17,055,933

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

13. Share based payments

Employee Share Option Plan

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

- All employees (full and part time) will be eligible to participate in the Plan after a qualifying period of 12 months employment by a member of the Group, although the Board may waive this requirement.
- Options are granted under the Plan at the discretion of the Board and if permitted by the Board, may be issued to an employee's nominee.
- Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue. Options will be issued without cost to the employee. The exercise price of options will be determined by the Board, subject to a minimum price equal to the market value of the Company's shares at the time the Board resolves to offer those options. The total number of shares the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.
- If, prior to the expiry date of options, a person ceases to be an employee of a Group company for any reason other than retirement at age 60 or more (or such earlier age as the Board permits), permanent disability, redundancy or death, the options held by that person (or that person's nominee) automatically lapse on the first to occur of a) the expiry of the period of 6 months from the date of such occurrence, and b) the expiry date. If a person dies, the options held by that person will be exercisable by that person's legal personal representative.

  Options cannot be transferred other than to the legal personal representative of a deceased option holder.

- The Company will not apply for official quotation of any options.
- Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.
- Option holders may only participate in new issues of securities by first exercising their options.

The Board may amend the Plan Rules subject to the requirements of the Listing Rules. The expense recognised in the Statement of Profit or Loss and Other Comprehensive Income in relation to share-based payments is disclosed in note 6(d). The following table illustrates the number (No.) and weighted average exercise prices (WAEP) and movements in share options under the Company's Employee Share Option Plan issued during the year:

	2013 No.	2013 WAEP	2012 No.	2012 WAEP
Outstanding at the beginning of the year	16,025,000	0.33	15,500,000	0.33
Granted during the year	575,000	0.25	525,000	0.25
Expired/lapsed during the year	(150,000)	0.25	-	-
Outstanding at the end of the year	16,450,000	0.32	16,025,000	0.33
Exercisable at the end of the year	16,450,000	0.32	1,025,000	0.30

The outstanding balance as at 30 June 2013 is represented by the following options:

Issue Date	Expiry Date	Exercise Price	Number of options outstanding
21/08/2010	20/08/2015	$0.25	7,750,000
17/02/2011	17/02/2016	$0.36	4,750,000
17/02/2011	17/02/2016	$0.50	2,500,000
09/05/2011	08/05/2016	$0.36	500,000
24/01/2012	23/01/2017	$0.25	375,000
06/03/2013	05/03/2018	$0.25	500,000
25/03/2013	24/03/2018	$0.25	75,000
			16,450,000

The weighted average remaining contractual life for the share options outstanding as at 30 June 2013 is 2.50 years (2012: 3.44 years).

The range of exercise prices for options outstanding at the end of the year was $0.25 - $0.50 (2012: $0.25 - $0.50).

The weighted average fair value of options granted during the year was $0.041 (2012: $0.071).

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 2013 and 30 June 2012:

	2013	**2012**
Historical volatility (%)	82%	114%
Risk-free interest rate (%)	3.12%	3.43%
Expected life of option (years)	5	5

14. Trade and other payables

	Consolidated	
	2013	**2012**
	$	**$**
Trade payables (i)	94,018	43,606
Other payables (ii)	157,043	269,826
	251,061	313,432

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

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

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

15. Borrowings

	Consolidated 2013 $	2012 $
Current		
Hire purchase contracts	47,293	64,587
	47,293	64,587
Non-current		
Hire purchase contracts	6,174	50,854
	6,174	50,854

Motor vehicles with a carrying value of $100,923 (2012: $128,117) act as security for the hire purchase liabilities.

16. Provisions

Current		
Annual leave provision:		
Balance at 1 July	87,060	22,830
Net increase/(decrease in provision)	3,457	64,230
Closing balance 30 June	90,517	87,060
Non-current		
Long service leave:		
Balance at 1 July	4,182	1,196
Net increase/(decrease in provision)	9,437	2,986
Closing balance 30 June	13,619	4,182

17. Issued capital

121,000,000 fully paid ordinary shares (2012: 121,000,000)	26,718,899	26,718,899
	26,718,899	26,718,899

There were no movements in issued capital either in the current year or for the year ended 30 June 2012.

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).

18. Reserves

	Consolidated 2013 $	2012 $
Reserves		
Share option reserve (a)	2,958,083	2,944,985
	2,958,083	2,944,985

(a) Share option reserve

	2013 $	2012 $
Balance at beginning of financial year	2,944,985	2,907,500
Issue of options to employees and officers under Employee Share Option Plan	23,808	37,485
Transfer to retained earnings upon lapse of options	(10,710)	-
Balance at end of financial year	2,958,083	2,944,985

19. Retained losses

	2013 $	2012 $
Balance at beginning of financial year	(2,534,628)	(2,258,446)
Net loss attributable to members of the parent entity	(585,809)	(276,182)
Transfer from share option reserve	10,710	-
Balance at end of financial year	(3,109,727)	(2,534,628)

20. Commitments for expenditure

	2013 $	2012 $
Operating leases		
Not longer than 1 year	97,254	97,254
Longer than 1 year and not longer than 5 years	170,194	267,448
	267,448	364,702
Hire purchase commitments		
Not longer than 1 year	49,819	72,219
Longer than 1 year and not longer than 5 years	6,261	53,467
	56,080	125,686
Less: future finance charges	(2,613)	(10,245)
	53,467	115,441

Exploration leases

In order to maintain current rights of tenure to exploration tenements the Company will be required to spend in the year ending 30 June 2013 net amounts of approximately $2,090,000 (2012: $1,835,000) in respect of tenement lease rentals and to meet minimum expenditure requirements. These obligations are expected to be fulfilled in the normal course of operations.

21. Contingent liabilities and contingent assets

At the date of signing this report, the Company is not aware of any Contingent Asset or Liability that should be disclosed in accordance with AASB 137. It is however noted that the Company has various bank guarantees totalling $110,000 at 30 June 2013 (2012: $110,000) which act as collateral over the lease of offices at 19 Richardson St, West Perth and the Company's Visa business credit cards.

22. Auditor's remuneration

	Consolidated	
	2013	2012
	$	$
Audit or review of the financial report	30,264	13,250
	30,264	13,250

23. Financial risk management

Capital risk management

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

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 17, 18 and 19 respectively.

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

	2013	2012
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents	9,565,706	13,570,860
Trade receivables	123,681	133,257
FINANCIAL LIABILITIES		
Payables	251,061	313,432
Borrowings	53,467	115,441

Credit risk management

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

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

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

Interest rate risk

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

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

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

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 $42,050 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 $
2013			
Interest bearing	8.66	47,293	6,174
Non-interest bearing	-	251,061	-

	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	-	313,432	-

24. Controlled entities

Name of entity	Country of incorporation	Ownership interest 2013 %	Ownership interest 2012 %
Parent entity			
Musgrave Minerals Ltd	Australia		
Subsidiaries			
Musgrave Exploration Pty Ltd	Australia	100	-

25. Parent entity information

	2013 $	2012 $
Financial Position		
Assets		
Current Assets	9,743,547	13,886,146
Non-current Assets	17,232,372	13,763,225
	26,975,919	27,649,371
Liabilities		
Current liabilities	388,871	465,079
Non-current Liabilities	19,793	55,036
	408,664	520,115
Equity		
Issued Capital	26,718,899	26,718,899
Reserves	2,958,083	2,944,985
Retained Earnings	(3,109,727)	(2,534,628)
	26,567,255	27,129,256
Financial Performance		
(Loss) for the year	(585,809)	(276,182)
Other comprehensive income	-	-
	(585,809)	(276,182)

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

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

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

26. Related party disclosure and key management personnel remuneration

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

Graham Ascough, Non-Executive Chairman
Robert Waugh, Managing Director
Kelly Ross, Non-Executive Director
John Percival, Non-Executive Director
Donald Stephens, Company Secretary
Justin Gum, Principal Geologist
Ian Warland, Exploration Manager

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

(a). **Aggregate remuneration for Key Management Personnel**

	Consolidated	
	2013	2012
	$	$
Short-term employee benefits	630,513	560,155
Post employment benefits	49,793	56,545
Share-based payments	21,550	-
	701,856	616,700

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

30-Jun-13	Balance at beginning of period	Granted as remuner-ation	Options Exercised	Net change other	Balance at end of period	Vested at 30 June 2013		
						Expiry Date	First Exercise Date	Last Exercise Date
Graham Ascough	750,000	-	-	-	750,000	17/02/16	28/04/13	17/02/16
Robert Waugh	2,500,000	-	-	-	2,500,000	17/02/16	28/04/13	17/02/16
	2,500,000	-	-	-	2,500,000	17/02/16	28/04/13	17/02/16
John Percival	500,000	-	-	-	500,000	17/02/16	28/04/13	17/02/16
Kelly Ross	500,000	-	-	-	500,000	17/02/16	28/04/13	17/02/16
Donald Stephens	500,000	-	-	-	500,000	17/02/16	28/04/13	17/02/16
Justin Gum	500,000	-	-	-	500,000	08/05/16	09/05/11	08/05/16
Ian Warland	-	500,000	-	-	500,000	05/03/18	06/03/15	05/03/18

30-Jun-12	Balance at beginning of period	Granted as remuner-ation*	Options Exercised	Net change other	Balance at end of period	Vested at 30 June 2012 Expiry Date	First Exercise Date	Last Exercise Date
Graham Ascough	750,000	-	-	-	750,000	17/02/16	28/04/13	17/02/16
Robert Waugh	2,500,000	-	-	-	2,500,000	17/02/16	28/04/13	17/02/16
	2,500,000	-	-	-	2,500,000	17/02/16	28/04/13	17/02/16
John Percival	500,000	-	-	-	500,000	17/02/16	28/04/13	17/02/16
Kelly Ross	500,000	-	-	-	500,000	17/02/16	28/04/13	17/02/16
Donald Stephens	500,000	-	-	-	500,000	17/02/16	28/04/13	17/02/16
Justin Gum	500,000	-	-	-	500,000	08/05/16	09/05/11	08/05/16

(c). **Shareholdings of Key Management Personnel**

30 June 2013	Balance at 1 July 12	On Exercise of Options	Net Change Other	Balance 30 June 13
Directors				
Graham Ascough	200,000	-	-	200,000
Robert Waugh	80,000	-	-	80,000
John Percival	100,000	-	100,000	200,000
Kelly Ross	50,000	-	-	50,000
Donald Stephens	-	-	-	-
Justin Gum	40,000	-	-	40,000
Ian Warland	-	-	-	-

30 June 2012	Balance at 1 July 11	On Exercise of Options	Net Change Other	Balance 30 June 12
Directors				
Graham Ascough	200,000	-	-	200,000
Robert Waugh	80,000	-	-	80,000
John Percival	100,000	-	-	100,000
Kelly Ross	50,000	-	-	50,000
Donald Stephens	-	-	-	-
Justin Gum	40,000	-	-	40,000

Director related entities

During the year, Musgrave Minerals Ltd was invoiced by Mithril Resources Ltd ('Mithril') in relation to expenditure incurred by Mithril on Musgrave's behalf. These transactions were undertaken on an arm's length basis and in aggregate for the year ended 30 June 2013 totalled $54,802 excluding GST (2012: $51,810).

HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation and secretarial services provided during the year amounting to $150,541 including GST (2012: $131,671). Donald Stephens, the Company Secretary, is a consultant with HLB Mann Judd (SA) Pty Ltd.

27. Subsequent events

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

Directors' Declaration

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

1. the consolidated financial statements and notes, as set out on pages 13 to 46, are in accordance with the Corporations Act 2001 and:

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

    b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the consolidated Group;

2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

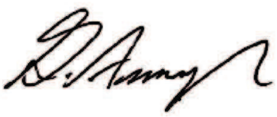
3. the Managing Director and Company Secretary have each declared that:

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

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

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

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



Mr Graham Ascough
Chairman

25 September 2013

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

Report on the financial report

We have audited the accompanying financial report of Musgrave Minerals Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion
In our opinion:

a the financial report of Musgrave Minerals Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report
We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Musgrave Minerals Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Director – Audit & Assurance

Adelaide, 25 September 2013