Musgrave Minerals Ltd

ABN 12 143 890 671

Half Year Report

for the half year ended 31 December 2013

Contents of Half Year Report

Directors' Report

The directors of Musgrave Minerals Ltd ('Musgrave') present their Report together with the financial statements of the consolidated entity, being Musgrave Minerals Ltd ('the Company') and its controlled entity ('the Group') for the half year ended 31 December 2013.

Director Details

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

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

Operating Result

The Company's loss for the half year ended 31 December 2013 after providing for income tax amounted to $4,848,629 (2012: $562,268).

Principal Activities

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

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

Review of Operations

Musgrave Minerals Ltd ('Musgrave Minerals' or the 'Company') is dedicated to discovering deposits of economic mineralisation in the Musgrave Province and Gawler Craton of South Australia, using systematic and well-resourced exploration methods and programs. The Company is exploring for nickel, copper and platinum group elements (PGE's) and has a leading exploration landholding in the Musgrave region of South Australia. Musgrave also has a Joint Venture 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. The Menninnie Dam project is prospective for silver, lead, zinc, copper and gold mineralisation.

Musgrave Minerals has important relationships with government and academic research organisations including the CSIRO and CET and will continue to develop its research to better understand the geology of the regions in which it works.

Musgrave Projects

Granting of the new Pallatu exploration licence on the Deering Hills project to Musgrave Minerals Ltd has increased the Company's granted tenure in the Musgrave region to more than 12,900km^2. Significant results during the period included the identification of disseminated and massive nickel and copper sulphides at Pallatu and the discovery of a new surface nickel, copper, cobalt, PGE gossan at Bryson Hill.

Through the combination of geological mapping, airborne geophysics, ground electromagnetic surveys, surface geochemistry and shallow drilling, the Company has continued to define high quality nickel-copper sulphide targets in the Musgrave for drill testing in 2014. Strong electromagnetic and geochemical targets are present at Deering Hills, Mt Woodroffe and Bryson Hill.

Going forward, the Company will focus on the Deering Hills, Mt Woodroffe, Mimili and Bryson Hill projects given the strong encouragement received in 2013, while continuing regional exploration to progress other project areas. Surface geochemical and ground EM surveys will be used to focus drilling.

Menninnie Dam

Menninnie Dam, located approximately 100km west of Port Augusta in South Australia, is a silver-lead- zinc-copper-gold project comprising five licences covering an area of 2,471km^2 in the southern Gawler Craton.

Following a regional silver soil geochemical program and airborne electromagnetic survey (AEM), Musgrave undertook an aircore drilling program over a number of high priority targets. High grade silver mineralisation was identified at the new Frakes prospect and base metal mineralisation was identified at Spare Rib. A follow-up diamond drilling program is currently underway to test both prospects.

Competent Person's Statement

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled and/or thoroughly reviewed by Mr Robert Waugh, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and a Member of the Australian Institute of Geoscientists (AIG). Mr Waugh is Managing Director and a full-time employee of Musgrave Minerals Ltd. Mr Waugh has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Waugh consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Auditor’s Independence Declaration

A copy of the auditor’s independence declaration as required under s307C of the Corporations Act 2001 is included on page 6 of this financial report and forms part of this Directors’ Report.

Signed in accordance with a resolution of the directors.

Mr Graham Ascough
Chairman

11 March 2014

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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 review of Musgrave Minerals Limited for the half-year ended 31 December 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 review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 11 March 2014

Interim consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2013

	Note	Consolidated Group Half-year ended 31 December 2013 $	Consolidated Group Half-year ended 31 December 2012 $
Other income		178,225	352,532
Impairment of exploration and evaluation assets	**10**	(4,318,581)	(301,853)
Employee benefits expense		(389,581)	(222,121)
Depreciation expense		(36,370)	(42,205)
Finance expenses		(2,112)	(4,533)
Other expenses		(281,230)	(344,088)
Loss before income tax expense		(4,849,649)	(562,268)
Income tax benefit/(expense)		-	-
Loss from continuing operations		(4,849,649)	(562,268)
Loss attributable to members of the parent entity		(4,849,649)	(562,268)
Other comprehensive income		-	-
Total comprehensive income for the period		(4,849,649)	(562,268)

Earnings per share:	*Cents*	*Cents*
Basic earnings per share	(4.01)	(0.46)
Diluted earnings per share	(4.01)	(0.46)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated interim financial report.

Interim consolidated statement of financial position

As at 31 December 2013

	Note	Consolidated Group 31 December 2013 $	30 June 2013 $
CURRENT ASSETS			
Cash and cash equivalents	**9**	7,380,659	9,565,706
Trade and other receivables		90,652	123,681
Other current assets		37,908	54,160
TOTAL CURRENT ASSETS		7,509,219	9,743,547
NON-CURRENT ASSETS			
Property, plant and equipment		156,987	176,439
Exploration and evaluation assets	**10**	14,436,769	17,055,933
TOTAL NON-CURRENT ASSETS		14,593,756	17,232,372
TOTAL ASSETS		22,102,975	26,975,919
CURRENT LIABILITIES			
Trade and other payables		183,605	251,061
Short-term borrowings		28,776	47,293
Short-term provisions		131,839	90,517
TOTAL CURRENT LIABILITIES		344,220	388,871
NON-CURRENT LIABILITIES			
Long-term borrowings		-	6,174
Long-term provisions		21,178	13,619
TOTAL NON-CURRENT LIABILITIES		21,178	19,793
TOTAL LIABILITIES		365,398	408,664
NET ASSETS		21,737,577	26,567,255
EQUITY			
Issued capital		26,718,899	26,718,899
Reserves		2,958,083	2,958,083
Retained earnings		(7,939,405)	(3,109,727)
TOTAL EQUITY		21,737,577	26,567,255

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

Interim consolidated statement of changes in equity
For the half-year ended 31 December 2013

		Consolidated Group			
	Note	Issued Capital Ordinary $	Share Option Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2012		26,718,899	2,944,985	(2,534,628)	27,129,256
Total comprehensive loss for the period		-	-	(562,268)	(562,268)
Transfer from share option reserve due to lapse of options under employee share option plan		-	(7,140)	7,140	-
Balance at 31 December 2012		26,718,899	2,937,845	(3,089,756)	26,566,988
Balance at 1 July 2013		26,718,899	2,937,845	(3,089,756)	26,566,988
Total comprehensive loss for the period		-	-	(4,848,629)	(4,848,629)
Balance at 31 December 2013		26,718,899	2,937,845	(7,938,385)	21,718,359

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

Interim consolidated statement of cash flows

For the half-year ended 31 December 2013

	Consolidated Group	
	Half year ended 31 Dec 2013 $	Half year ended 31 Dec 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(631,774)	(512,694)
Interest received	188,031	380,598
Finance costs	(764)	(4,816)
NET CASH USED IN OPERATING ACTIVITIES	(444,507)	(136,912)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(16,918)	(27,125)
Payments for exploration activities	(1,698,856)	(1,780,567)
NET CASH USED IN INVESTING ACTIVITIES	(1,715,774)	(1,807,692)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(24,766)	(29,249)
NET CASH USED IN FINANCING ACTIVITIES	(24,766)	(29,249)
Net decrease in cash and cash equivalents	(2,185,047)	(1,973,853)
Net foreign exchange differences		
Cash at the beginning of the year	9,565,706	13,570,860
CASH AT THE END OF THE PERIOD	7,380,659	11,597,007

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

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

1. Nature of operations

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

2. General information and basis of preparation

The condensed interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2013 and are presented in Australian dollars ($), which is the functional currency of the parent company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2013 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001. Musgrave Minerals is a for profit entity for the purposes if these financial statements.

The interim financial statements have been approved and authorised for issue by the board of directors on 11 March 2014.

3. Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2013.

4. New standards, interpretations and amendments adopted by the Group

In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period as shown below.

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)

When these standards were first adopted for the year ended 30 June 2013, there was no impact on the transactions and balances recognised in the financial statements.

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

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

There was no impact on the amounts recognised in the financial statements and no additional disclosure requirements.

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

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

5. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group:

The accounting standards that have not been early adopted for the half year ended 31 December 2013, but will be applicable to the group in future reporting periods, are detailed below. Apart from these standards, other accounting standards that will be applicable in future periods have been reviewed, however they have been considered to be insignificant to the Group.

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

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

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

(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 compared with the requirements of AASB 139. The main changes are:

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

- 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 assets or 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.

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 2015, they are unlikely to have any significant impact on the Group.

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

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 2014, there will be no impact on the Group as this standard merely clarifies existing requirements in AASB 132.

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

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.

6. Estimates

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2013.

7. Significant events and transactions

The Group met the $1 million initial spend in the Menninnie Damn Joint Venture. The Company now has an option to earn a 51% interest in the project by spending an additional $5 million over four years. The Company additionally notes the impairment of its exploration and evaluation assets, resulting in an impairment expense of $4,318,581 during the half year (refer to note 10).

8. Segment reporting

The directors have 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.

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Consolidated	
	31-Dec 2013 $	30-Jun 2013 $
9. Cash and cash equivalents		
Cash at bank and in hand	327,405	1,155,706
Short-term deposits	7,053,254	8,410,000
	7,380,659	9,565,706

10. Exploration and evaluation assets

Exploration and evaluation assets	14,436,769	17,055,933
	14,436,769	17,055,933

Consolidated Group	**Total $**
Balance 1 July 2013	17,055,933
Additions through expenditure capitalised	1,699,417
Imairment of tenements *	(4,318,581)
Balance at 31 December 2013	14,436,769

*During the half year ended 31 December 2013, a total of $4,318,581 has been taken as an impairment of the consolidated group's exploration and evaluation assets. Of this amount, $4,182,966 relates to the impairment of Exploration Licence Applications within the South Australian Musgrave Region. Whist the Company still considers these areas to be prospective, the board has taken the view that due to the length of time the licences have remained in application phase and the likelihood of these changing status in the near future, the decision has been made to impair these amounts in the current period.

11. Subsequent events

No events have occurred subsequent to the balance date that are required to be disclosed in accordance with AASB 110.

12. Contingent liabilities

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

Directors' Declaration

In the opinion of the directors of Musgrave Minerals Ltd:

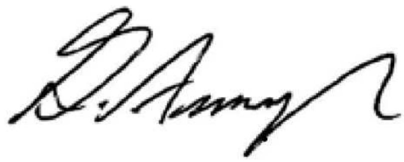
(a) the consolidated financial statements and notes of Musgrave Minerals Ltd are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of its financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

   (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting*; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Mr Graham Ascough
Chairman

11 March 2014

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

We have reviewed the accompanying half-year financial report of Musgrave Minerals Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Musgrave Minerals Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Musgrave Minerals Limited consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Musgrave Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 11 March 2014