

September 2014 Quarterly Activities Report

Musgrave Minerals Ltd is a dedicated exploration Company focused on base metals, silver and gold in the highly prospective Musgrave and Southern Gawler Craton regions of South Australia and the Fraser Range Province of Western Australia.

ASX Code: **MGV**
Issued Shares: **121M**
Cash Balance: **\$5.4M**
ABN: **12 143 890 671**

Directors

Graham Ascough
Robert Waugh
Kelly Ross
John Percival

Top shareholders

Mithril Resources Ltd
Independence Group NL
Barrick (Australia Pacific) Ltd
Silver Lake Resources Ltd
Goldsearch Ltd

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Highlights

Fraser Range

- Successful in ballot for Fraser Range tenement E28/2405, now named the Mamba Project
- Tenement covers 180km² in the same belt as Nova-Bollinger nickel-copper sulphide deposits
- Detailed aeromagnetic survey identifies 12 high-priority nickel-copper targets

Musgrave Region

- Diamond drilling intersected disseminated sulphide at Pallatu 6 & 7 targets at Deering Hills Project
- Approximately 20km of untested contact identified

Southern Gawler Craton

Corunna Project

- Won ballot for tenement in emerging epithermal porphyry province
- Tenement granted and new silver targets identified

Menninnie Dam Project

- Geochemical surveys identify drill targets
- Drilling to commence in November

Planned Activity

- Diamond and RC drilling of new silver-lead-zinc targets at Menninnie Dam
- Plan follow-up exploration activities for 12 high-priority targets at the Mamba Project
- Complete heritage survey on the Corunna Project in preparation for drilling
- Continue to evaluate new advanced stage project opportunities

Introduction

Musgrave Minerals Ltd (ASX: MGV) is an Australian-based exploration and development company focused on base metal, gold and silver exploration in the Musgrave Geological Province and Gawler Craton regions of South Australia, and Fraser Range region of Western Australia (Figure 1).

During the quarter, the Company was successful in the ballots for two tenements. EL5497, the Corunna Project is in the southern Gawler Craton, and prospective to copper-gold and silver-lead-zinc mineralisation. E28/2405, the Mamba Project, in the Fraser Range region of Western Australia is prospective for nickel-copper and gold mineralisation.

The Musgrave tenements are prospective for massive and disseminated nickel and copper sulphides within the mafic/ultramafic Giles Complex intrusives and base metal mineralisation within the Birksgate Complex metavolcanic and meta-sedimentary sequences.

Musgrave is a well-funded, active explorer with a strong financial position.

Corporate

During the period, the Company spent \$0.62 million on exploration activities as summarised in the Exploration Activities section of this report. At the end of the September 2014 quarter, the Company was well resourced to explore its Musgrave, Gawler Craton and Fraser Range projects with \$5.4 million in cash.

Exploration Activities

The Company's exploration during the September 2014 quarter focused on two targets at the Pallatu prospect, part of the Deering Hills Project in the Musgrave region, and the new Mamba Project in the Fraser Range region of Western Australia, won at a ballot in July.

Fraser Range

Mamba Project

E28/2405 (application 100% Musgrave Minerals Ltd)

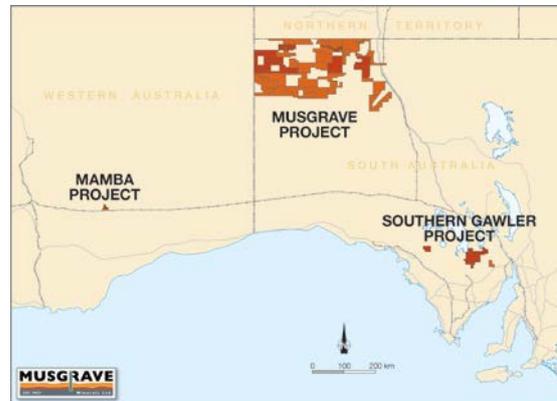


Figure 1: *Musgrave Minerals' Project Location Map*

Menninnie Dam, approximately 100km west of Port Augusta in South Australia, is a silver-zinc-lead project comprising five licences which cover an area of 2,471km² in the southern Gawler Craton.

Quarterly Activities Report for the period ended 30 September 2014

During the quarter, Musgrave Minerals was successful in a ballot for tenement E28/2405 in the Fraser Range region of Western Australia. The tenement covers approximately 180km² and has been named the Mamba Project. Mamba is located on a significant regional gravity high, which is interpreted to represent a large accumulation of mafic rocks prospective for massive nickel-copper sulphide mineralisation.

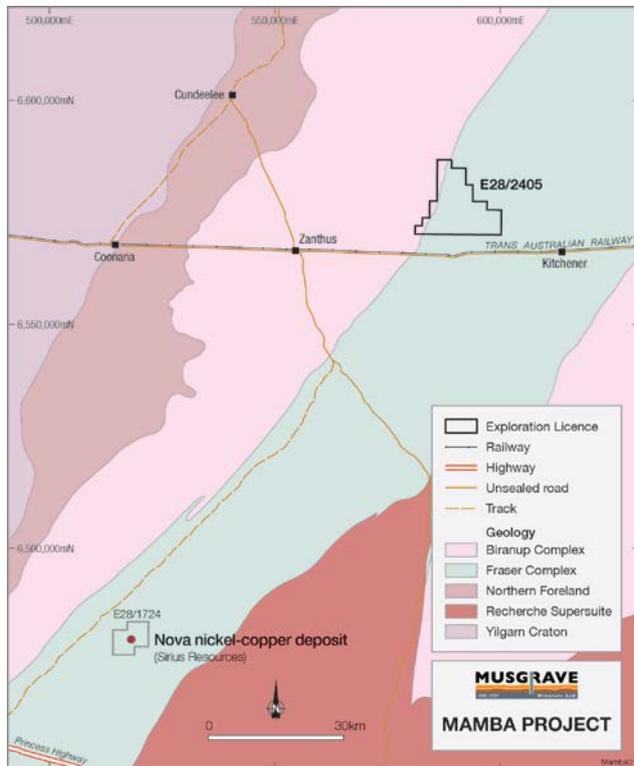


Figure 2 – Location of Musgrave’s new Mamba Project in the Fraser Range region of WA

The project is in the same belt as the world class Nova-Bollinger nickel-copper sulphide discoveries of Sirius Resources NL (ASX: SIR) in south-eastern WA. The project is along strike from Sirius’ Nova deposit and only 5km from the Trans Australian rail line (Figure 2).

The company commenced a detailed aeromagnetic survey over the Mamba project in late August that covered the entire tenement at 100m line spacing. The survey identified 12 high priority targets that showed magnetic characteristics consistent with mafic-ultramafic intrusive bodies, the prospective host for nickel-copper sulphide mineralisation in the district. These magnetic targets are comparable in shape and size to Sirius’s Nova “Eye” feature.

Musgrave selected targets (Figure 3) based on characteristics such as magnetic intensity, shape, character and relationship to regional structures. Two broad target styles have been interpreted from the aeromagnetic data. The first style includes discrete magnetic highs interpreted to be mafic/ultramafic intrusive bodies prospective for magmatic nickel-copper deposits and the second style includes de-magnetised zones associated with major structural intersections or fold closures that could represent increased areas of fluid flow and potential mineralisation. A table summarising the individual targets was reported in ASX Announcement dated 7 October 2014.

Musgrave’s technical team is currently designing follow-up exploration on the 12 priority targets. This will involve a combination of ground EM surveys to define specific bedrock conductors and aircore drilling to identify the potential footprint of nickel-copper mineralisation.

The on-ground exploration will commence as a matter of priority once the tenement is granted and all statutory approvals have been met, which the Company expects to occur in early 2015.

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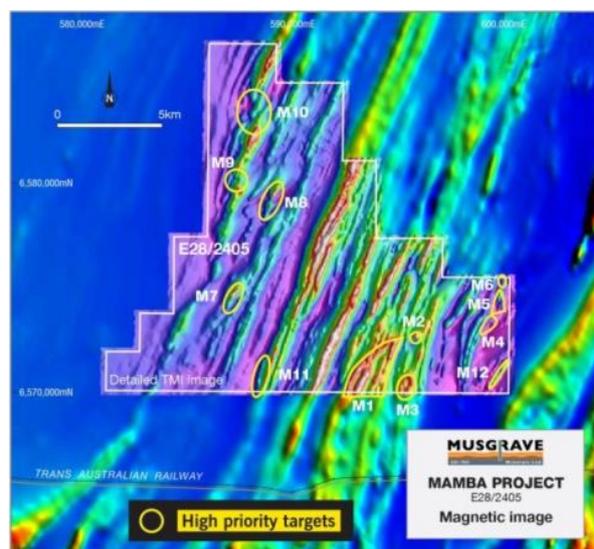


Figure 3 - Priority targets at Mamba on detailed aeromagnetic data



Musgrave Region Projects

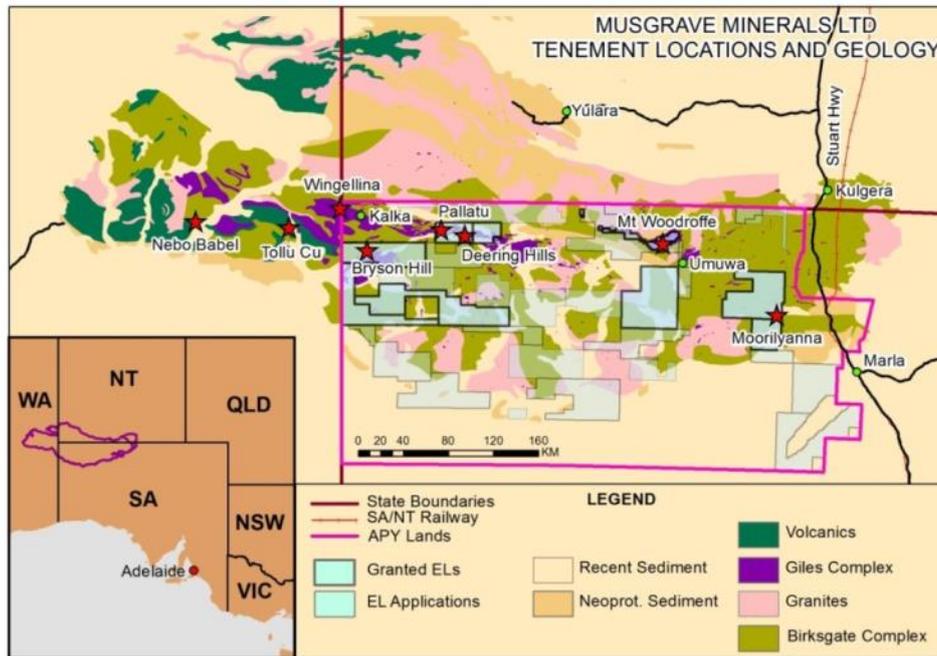


Figure 4: *Location of MGV's Musgrave Region Projects, South Australia*

Deering Hills Project

EL5172, EL5173 and EL5317 (100% Musgrave Minerals Ltd)

The Deering Hills Project is in the centre of the Musgrave geological province; about 200km west of the Stuart Highway and Adelaide to Darwin rail line in far north-west of South Australia (Figure 4).

Musgrave commenced diamond drilling at the Pallatu 6 & 7 ground electromagnetic (EM) targets at Deering Hills in July. The targets are 1km from previously intersected nickel sulphide mineralisation at Pallatu 3 and in the same geological domain that hosts the large Nebo-Babel nickel-copper sulphide deposits.

MGV completed the two holes for 441m and intersected disseminated sulphide at both targets (see ASX announcement dated 21 August 2014). Musgrave has identified 20km of untested contact prospective for massive nickel sulphide at Deering Hills.

The company then completed a down-hole EM survey but did not identify any strong off-hole conductors.

Mimili Project

EL5175 (100% Musgrave Minerals Ltd)

EL5175, and is located in the eastern portion of the Musgrave Province (Figure 4).

Ground EM surveys within EL5175 were undertaken on a number of co-incident magnetic, gravity and geochemical targets at Mimili. A basement conductor was identified at the Roslin target with co-incident anomalous Zn, Cu and Co surface soil and rock chip samples. Additional follow-up geochemistry is currently being planned.

During the quarter Musgrave surrendered tenement EL5174 as its prospectivity was considered low.

Gawler Craton

Corunna Project

EL5497 (100% Musgrave Minerals Ltd)

During the quarter, Musgrave was successful in a ballot for the Corunna tenement in the Southern Gawler Craton which was subsequently granted on 13 October 2014.

The tenement is in the emerging epithermal porphyry province of the Southern Gawler Craton which hosts the Menninnie Dam Zn-Pb-Ag deposit and the Paris epithermal silver deposit (Figure 5).

Recent exploration at Corunna by previous tenement holders focused on uranium. Musgrave's examination of historic open file data has identified low level regional multi-element soil sampling results of interest. The historical survey assayed for a full suite of elements including Ag, Au, base metals and path finder elements on a nominal 400m grid. Musgrave geologists have reviewed the historical data and have identified four areas of significantly elevated silver anomalism with up to 9.7g/t in one of the soil samples (Figure 6). These target areas are coincident with regional structures interpreted from aeromagnetic data and have never been drill tested.

Exploration at Corunna in the 1980's identified anomalous silver and lead in a surface rock chip sample with values up to 148g/t silver and 0.5% lead (refer ASX announcement dated 22 October 2014).

The Corunna Project is located approximately 50km west of Port Augusta and is well positioned in regards to infrastructure and proximity to the coast. Musgrave is currently negotiating an access agreement and is planning field programs to validate the historical data prior to air core drilling in the coming months.

Quarterly Activities Report for the period ended 30 September 2014

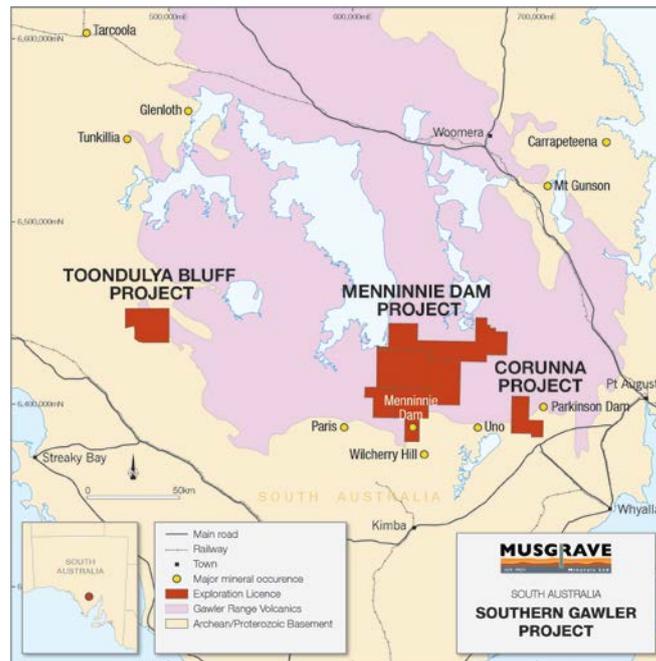


Figure 5 – Location of the Corunna Project in relation to MGV’s Menninnie Dam and Toondulya Bluff Projects in the Southern Gawler Craton region of SA

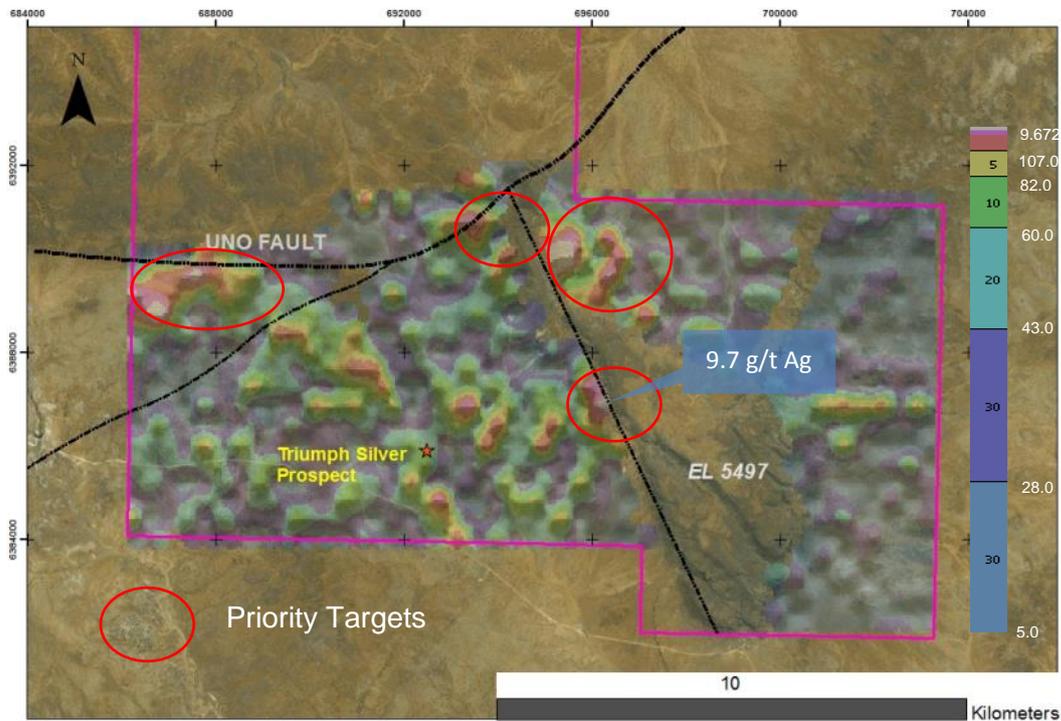


Figure 6: High priority Corunna epithermal silver-lead-zinc targets shown on gridded silver soil geochemical image with landsat backdrop



Menninnie Dam Project

EL5039, 4813, 5453, 4669, 4865 (Musgrave Minerals Ltd earning up to 51% in the first instance and up to 75% thereafter)

Menninnie Dam comprises five Exploration Licences (ELs) covering a contiguous area of 2,471km² in the Gawler Craton, about 100km west of Port Augusta (Figure 7). The Company executed a Farm in and Joint Venture 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.

The project hosts two deposits, Menninnie Central and Viper, that have a combined Inferred Mineral Resource of 7.7Mt at 27g/t silver, 3.1% zinc and 2.6% lead (estimated by Terramin in 2011 in accordance with the 2004 JORC code) which are not closed off.

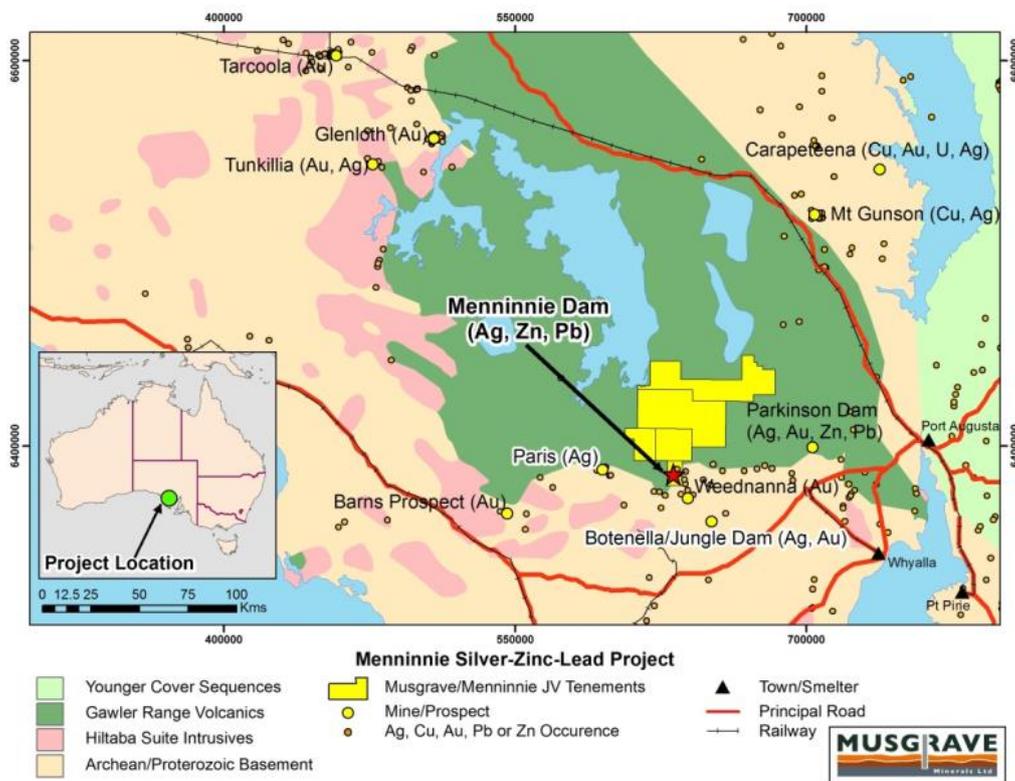


Figure 7: Location of the Menninnie Dam Project, South Australia

Musgrave has undertaken follow-up geochemical sampling during the quarter to better define targets at Erebus, Mallee and Tank Hill. Results are awaited. An infill gravity survey was completed in September. The data is currently being processed. Preparations are underway to commence drill testing of basement targets in mid-November.

Other Projects

No significant exploration was undertaken on Toondulya Bluff or Musgrave's other projects during the quarter.



Quarterly Activities Report for the period ended 30 September 2014

Upcoming Activity

During the December 2014 quarter, Musgrave Minerals is planning the following activities:

- Review and interpret geochemical and gravity data from Menninnie Dam
- Basement drill testing of silver-lead-zinc and copper-gold targets at Menninnie Dam
- Plan follow-up exploration activities for 12 high-priority targets at the Mamba Project
- Complete heritage access agreement for Corunna Project
- Commence on ground exploration at Corunna to validate the historical geochemical data
- Continue evaluating other advanced project opportunities to balance the Company's project portfolio

Notes Specific – September 2014 Quarter ASX Announcements

Additional details including JORC 2012 reporting tables, where applicable can be found in the following announcements lodged with the ASX during the Quarter.

- 10-07-2014 : Musgrave commences drilling of Pallatu nickel targets
- 30-07-2014 : Musgrave successful in ballot for Fraser Range tenement
- 21-08-2014 : Pallatu drilling update
- 25-08-2014 : Musgrave successful in ballot for Corunna tenement
- 28-08-2014 : Musgrave commences Fraser Range exploration
- 30-09-2014 : Full Year Statutory Accounts
- 07-10-2014 : MGV identifies high priority nickel-copper targets at Mamba
- 22-10-2014 : New silver-lead-zinc targets identified at Corunna
- 24-10-2014 : Annual Report to Shareholders

Enquiries:

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Robert Gundelach
Investor relations
NWR Communications
0451 896 420

Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Robert Waugh. Mr Waugh is a 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 of Musgrave Minerals Limited. Mr Waugh has sufficient industry experience 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 their information in the form and context in which it appears.

About Musgrave Minerals

Musgrave Minerals Ltd is an active Australian base metals explorer with a large exploration footprint in the Musgrave Province of South Australia, with tenements covering an area of approximately 50,000km². The Company also has a Ni-Cu sulphide project in the highly prospective Fraser Range of Western Australia and an active advanced stage exploration project, Menninnie Dam, in the prospective silver and base metals province of the southern Gawler Craton of South Australia. Musgrave has a powerful shareholder base with six mining and exploration companies participating as cornerstone investors.

* JORC (2004 Edition)-compliant inferred resource for the Menninnie Central and Viper deposits was reported by Terramin Australia Limited (ASX: TZN) on 1st March 2011

Deposit	Tonnes x10³	Zn (%)	Pb (%)	Ag (g/t)	Pb+Zn (%)
Total Menninnie Central	5,240	3.5	2.7	28	6.1
Total Viper	2,460	2.3	2.4	24	4.8
Total Combined Menninnie Central and Viper	7,700	3.1	2.6	27	5.7

Inferred Resource (at 2.5% Pb+Zn cut-off) as at 15 February 2011

MGV is not aware of any new information that would affect the material nature of this resource calculation.

Competent Person's Statement

The information in this report that relates to Mineral Resources or Ore Reserves is based on information 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Waugh consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Quarterly Activities Report for the period ended 30 September 2014

Tenement information in accordance with Listing Rule 5.3.3.

Tenement ID	Previous Tenement ID	Project	State	Status	MGV Interest at start of quarter	MGV Interest at end of quarter
EL5317		Musgrave	SA	Granted	100%	100%
EL4850		Musgrave	SA	Granted	100%	100%
EL4851		Musgrave - PMC JV	SA	Granted	0% (may earn up to 75%)	0% (may earn up to 75%)
EL4852		Musgrave	SA	Granted	100%	100%
EL4853		Musgrave	SA	Granted	100%	100%
EL5171	EL3940	Musgrave	SA	Granted	100%	100%
EL5172	EL3941	Musgrave	SA	Granted	100%	100%
EL5173	EL3942	Musgrave	SA	Granted	100%	100%
EL5174	EL3954	Musgrave	SA	Surrendered	100%	0%
EL5175	EL3955	Musgrave	SA	Granted	100%	100%
EL5205	EL4047	Musgrave - PMC JV	SA	Granted	0% (may earn up to 75%)	0% (may earn up to 75%)
EL5039		Musgrave - Menninnie Metals JV	SA	Granted	0% (may earn up to 75%)	0% (may earn up to 75%)
EL4813		Musgrave - Menninnie Metals JV	SA	Granted	0% (may earn up to 75%)	0% (may earn up to 75%)
EL5453	EL4285	Musgrave - Menninnie Metals JV	SA	Granted	0% (may earn up to 75%)	0% (may earn up to 75%)
EL4669		Musgrave - Menninnie Metals JV	SA	Granted	0% (may earn up to 75%)	0% (may earn up to 75%)
EL4865		Musgrave - Menninnie Metals JV	SA	Granted	0% (may earn up to 75%)	0% (may earn up to 75%)
EL5403		Toondulya Bluff	SA	Granted	0%	100%
EL5497		Corunna	SA	Granted	0%	100%

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

MUSGRAVE MINERALS LTD

ABN

12 143 890 671

Quarter ended ("current quarter")

30 September 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (three months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(499)	(499)
1.3 Dividends received	(275)	(275)
1.4 Interest and other items of a similar nature received	25	25
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (R&D Tax Offset)	-	-
Net Operating Cash Flows	(749)	(749)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(749)	(749)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(749)	(749)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(749)	(749)
1.20	Cash at beginning of quarter/year to date	6,139	6,139
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	5,390	5,390

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	112
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors' fees, salary payments and superannuation.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	873
4.2 Development	-
4.3 Production	-
4.4 Administration	172
Total	1,045

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	660	829
5.2 Deposits at call	4,730	5,310
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	5,390	6,139

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	EL5497 Direct	0%	100%
6.2	Interests in mining tenements and petroleum tenements acquired or increased	EL5174 Direct	100%	0%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	121,000,000	121,000,000	Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			
7.5	+Convertible debt securities <i>(description)</i>			

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>		<u>Exercise Price</u>	<u>Expiry Date</u>	
	4,750,000		\$0.36	17/02/16	
	2,500,000		\$0.50	17/02/16	
	7,750,000		\$0.25	19/04/16	
	400,000		\$0.36	08/05/16	
	175,000		\$0.25	23/01/17	
	500,000		\$0.25	05/03/18	
	75,000		\$0.25	24/03/18	
	575,000		\$0.12	10/03/19	
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 27 October 2014

Print name: Donald Stephens
(Company Secretary)

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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