

Musgrave Minerals Ltd

ABN 12 143 890 671

Half Year Report

for the half year ended 31 December 2014

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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 2014.

Director Details

The following persons were directors of Musgrave during or since the end of the half year and have held office for the entire period.

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

Operating Result

The Group's loss for the half year ended 31 December 2014 after providing for income tax amounted to \$2,534,622 (2013: \$4,849,649).

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;*
- *to evaluate new opportunities for joint venture or acquisition; and*
- *to evaluate results received through surface sampling, geophysical surveys and drilling carried out during the year.*

Review of Operations

Musgrave Minerals Ltd is dedicated to discovering deposits of economic mineralisation on its projects in the Musgrave Province and Gawler Craton regions of South Australia and the Fraser Range region of Western Australia, using systematic and effective exploration methods and programs. The Company is exploring for nickel, copper and platinum group elements ("PGE's") in the Musgrave and Fraser Range. On the Menninnie Dam project, Musgrave Minerals is exploring for silver, lead, zinc, copper and gold mineralisation through a Joint Venture with Menninnie Metals Pty Ltd, a subsidiary of Terramin Australia Limited (ASX: TZN). Musgrave is also exploring for silver, lead, zinc, copper and gold mineralization on its wholly owned Corunna project in the Southern Gawler Craton of South Australia.

Musgrave has grown its relationships with government and academic research organisations including the CSIRO and the Centre for Exploration Targeting and is continuing research to enhance exploration effectiveness in the regions in which it works.

Fraser Range Project

During the period, Musgrave was successful in a competitive ballot process in its application for the Mamba Project in the Fraser Range of Western Australia. The Company completed a detailed aeromagnetic survey over the Mamba tenement identifying 12 priority targets for follow-up exploration. The Mamba Project tenement was granted on 6 February 2015. A follow-up ground electromagnetic (“EM”) survey to identify massive nickel-copper sulphide mineralisation will commence in March.

Southern Gawler Projects

Musgrave completed a reverse circulation (“RC”) and diamond drilling program at Menninnie Dam, located approximately 100km west of Port Augusta in South Australia during the period. Three targets were drill tested with evidence of primary mineralisation and strong alteration identified at the Mallee and Nonning (Pipe Track) targets.

The new Corunna tenement located approximately 50km east of Menninnie Dam was granted on 13 October 2014. Four high priority silver-lead-zinc targets have been identified through a review of historical soil geochemical data. No previous drilling has occurred on these anomalies. A Native Title access agreement has been established with Barngarla Aboriginal Corporation to enable exploration access in 2015.

Musgrave Region Projects

In northern South Australia, the Musgrave Province lies almost entirely within Anangu Pitjantjatjara Yankunytjatjara (“APY”) land (Aboriginal freehold land). During the period the Company drill tested two targets at Pallatu 6 and 7 and intersected disseminated sulphides within gabbroic host rocks at both targets.

On the Mimili project the Company identified two new targets through a combination of geological, geochemical and geophysical surveys. The Zarek nickel-copper target is a 200m long geochemical anomaly on the margin of an interpreted gabbroic intrusive. The Roslin zinc-copper target is a co-incident geochemical and EM anomaly proximal to a major regional structure.

Funds Misappropriation

As reported in the Company’s 2014 Annual Report and disclosed in the Company’s announcement released to the ASX on 12 February 2015, investigations into a number of irregular transactions have been undertaken by the Company. The investigations concluded that the amount of funds involved in the irregular transactions is approximately \$466,000 (of which \$128,750 occurred in the period 1 January 2014 to 30 June 2014). The irregularities are consistent with fraudulent misappropriation of Company funds. An employee of the Company was suspended on 19 September 2014 pending the abovementioned investigations, and their employment has been subsequently terminated.

To date, approximately \$34,000 has been returned to the Company. The Board is vigorously pursuing a number of avenues for the recovery of the remaining funds.

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.

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

Mr Graham Ascough
Chairman

12 March 2015

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Musgrave Minerals Ltd for the half-year ended 31 December 2014, 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 AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 12 March 2015

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Interim consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2014

		Consolidated Group Half-year ended	
		31 December 2014	31 December 2013
		\$	\$
Note			
	Other income	97,083	178,225
8	Impairment of exploration and evaluation assets	(1,786,865)	(4,318,581)
	Employee benefits expense	(178,946)	(389,581)
	Depreciation expense	(20,457)	(36,370)
	Finance expenses	(96)	(2,112)
9	Misappropriated funds	(337,250)	-
	Other expenses	(308,091)	(281,230)
	Loss before income tax expense	(2,534,622)	(4,849,649)
	Income tax benefit/(expense)	-	-
	Loss from continuing operations	(2,534,622)	(4,849,649)
	Loss attributable to members of the parent entity	(2,534,622)	(4,849,649)
	Other comprehensive income	-	-
	Total comprehensive income for the period	(2,534,622)	(4,849,649)
	Earnings per share:	<i>Cents</i>	<i>Cents</i>
	Basic earnings per share	(2.09)	(4.01)
	Diluted earnings per share	(2.09)	(4.01)

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 2014

		Consolidated Group	
		31 December 2014	30 June 2014
		\$	\$
	Note		
CURRENT ASSETS			
Cash and cash equivalents	7	4,329,683	6,139,459
Trade and other receivables		63,544	89,786
Other current assets		52,962	25,498
TOTAL CURRENT ASSETS		4,446,189	6,254,743
NON-CURRENT ASSETS			
Property, plant and equipment		109,767	135,723
Exploration and evaluation assets	8	15,114,394	15,748,622
TOTAL NON-CURRENT ASSETS		15,224,161	15,884,345
TOTAL ASSETS		19,670,350	22,139,088
CURRENT LIABILITIES			
Trade and other payables		309,810	219,690
Short-term provisions		118,398	151,076
TOTAL CURRENT LIABILITIES		428,208	370,766
NON-CURRENT LIABILITIES			
Long-term provisions		39,355	30,913
TOTAL NON-CURRENT LIABILITIES		39,355	30,913
TOTAL LIABILITIES		467,563	401,679
NET ASSETS		19,202,787	21,737,409
EQUITY			
Issued capital		26,718,899	26,718,899
Reserves		2,973,818	2,973,818
Accumulated losses		(10,489,930)	(7,955,308)
TOTAL EQUITY		19,202,787	21,737,409

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 2014

	Consolidated Group			
	Issued Capital \$	Share Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2013	26,718,899	2,958,083	(3,089,756)	26,587,226
Total comprehensive loss for the period	-	-	(4,849,649)	(4,849,649)
Balance at 31 December 2013	26,718,899	2,958,083	(7,939,405)	21,737,577
Balance at 1 July 2014	26,718,899	2,973,818	(7,955,308)	21,737,409
Total comprehensive loss for the period	-	-	(2,534,622)	(2,534,622)
Balance at 31 December 2014	26,718,899	2,973,818	(10,489,930)	19,202,787

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 2014

	Consolidated Group	
	Half year ended 31 Dec 2014 \$	Half year ended 31 Dec 2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(966,515)	(631,774)
Interest received	93,823	188,031
Finance costs	-	(764)
NET CASH USED IN OPERATING ACTIVITIES	(872,692)	(444,507)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	-	(16,918)
Payments for exploration activities	(937,084)	(1,698,856)
NET CASH USED IN INVESTING ACTIVITIES	(937,084)	(1,715,774)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	-	(24,766)
NET CASH USED IN FINANCING ACTIVITIES	-	(24,766)
Net decrease in cash and cash equivalents	(1,809,776)	(2,185,047)
Cash at the beginning of the year	6,139,459	9,565,706
CASH AT THE END OF THE PERIOD	4,329,683	7,380,659

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

Notes to the interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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 2014 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 2014 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 of these financial statements.

The interim financial statements have been approved and authorised for issue by the board of directors on 12 March 2015

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 2014.

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

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2014, except for the application of the following standards as of 1 July 2014:

AASB 1031: Materiality

AASB 1055: Budgetary Reporting

AASB 2013-1, Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements

AASB 2013-4, Novation of Derivatives and Continuation of Hedge Accounting

AASB 2013-5, Investment Entities

AASB 2013-9, Conceptual Framework, Materiality and Financial Instruments

AASB 2014-2, Amendments to AASB 1053 – Transition to and between Tiers, and Related Tier 2 Disclosure Requirements

AASB 2014-1, Amendments to Australian Accounting Standards Part A, B and C

These standards make changes to a number of existing Australian Accounting Standards and are not expected to result in a material change to the manner in which the Group's financial result is determined or upon the extent of disclosures included in future financial reports.

Management has reviewed the new requirements of the above standards and has concluded that there is no effect on the classification or presentation of balances in the financial statements.

Notes to the interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

5. 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 2014.

6. 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.

Consolidated	
31-Dec	30-Jun
2014	2014
\$	\$

7. Cash and cash equivalents

Cash at bank and in hand	540,874	829,459
Short-term deposits	3,788,809	5,310,000
	<u>4,329,683</u>	<u>6,139,459</u>

8. Exploration and evaluation assets

Exploration and evaluation assets	15,114,394	15,748,622
	<u>15,114,394</u>	<u>15,748,622</u>

Consolidated Group

	Total
	\$
Balance 1 July 2014	15,748,622
Additions through expenditure capitalised	1,152,637
Impairment of tenements *	<u>(1,786,865)</u>
Balance at 31 December 2014	<u>15,114,394</u>

*During the half year ended 31 December 2014, a total of \$1,786,865 has been taken as an impairment of the consolidated Group's exploration and evaluation assets. This amount relates to the surrender of Exploration Licences within the South Australian Musgrave Region and project generation expenditures.

Notes to the interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

9. Misappropriated funds

As reported in the Company's 2014 Annual Report and disclosed in the Company's announcement released to the ASX on 12 February 2015, investigations into a number of irregular transactions have been undertaken by the Company. The investigations concluded that the amount of funds involved in the irregular transactions is approximately \$466,000 (of which \$128,750 occurred in the period 1 January 2014 to 30 June 2014). The irregularities are consistent with fraudulent misappropriation of Company funds. An employee of the Company was suspended on 19 September 2014 pending the abovementioned investigations, and their employment has been subsequently terminated.

To date, approximately \$34,000 has been returned to the Company. The Board is vigorously pursuing a number of avenues for the recovery of the remaining funds.

10. Subsequent events

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

11. 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 2014 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

12 March 2015

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

We have reviewed the accompanying half-year financial report of Musgrave Minerals Ltd ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, 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 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 Ltd 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 Ltd consolidated entity's financial position as at 31 December 2014 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 Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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 Ltd 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 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.


GRANT THORNTON AUDIT PTY LTD
Chartered Accountants


J L Humphrey
Partner – Audit & Assurance

Adelaide, 12 March 2015