



ABN 12 143 890 671

**Half-Year Financial Report
31 December 2015**

Corporate Directory

Directors

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

Company Secretary

Patricia (Trish) Farr

Registered Office & Principal Place of Business

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Auditor

Grant Thornton Audit Pty Ltd
Chartered Accountants
Level 1, 10 Kings Park Road
West Perth, WA 6005

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St. Georges Terrace
Perth, WA 6000

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Ltd ("ASX")
Home Exchange: Perth, Western Australia

ASX Code: **MGV**

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Directors' Report

Your directors present their report on the consolidated entity consisting of Musgrave Minerals Ltd (“Musgrave” or “the Company”) and the entities it controlled (“the Group”) at the end of, or during, the half-year ended 31 December 2015.

DIRECTORS

The following persons were directors of Musgrave Minerals Ltd during the whole of the half-year and up to the date of this report:

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 2015 after providing for income tax amounted to \$396,329 (2014: \$2,534,622).

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 is dedicated to discovering deposits of economic mineralisation on its projects in the Murchison Goldfields and Fraser Range of Western Australia and the Musgrave Province and Gawler Craton regions of South Australia, using systematic and effective exploration methods and programs. The Company is exploring to increase the gold and copper resource base in the Murchison and to discover economic nickel and copper mineralisation in the Fraser Range and Musgrave and base metals and gold mineralisation on its wholly owned Corunna project in the Southern Gawler Craton of South Australia.

During the period Musgrave entered into a Farm-In and Joint Venture Agreement with Silver Lake Resources Limited (“Silver Lake”) (ASX: SLR) on the Cue Project that includes the Moyagee and Hollandaire Mineral Resources and Reserves in the Murchison goldfields of Western Australia. The project has significant upside potential for both gold and copper and high priority drill ready targets.

Directors' Report

Musgrave's objective is to increase the Cue Project gold and copper resources through discovery and extensional drilling to underpin studies that will demonstrate a viable path to development in the near term.

Musgrave is continuing its relationships with government and academic research organisations including the Commonwealth Scientific and Industrial Research Organisation and the Centre for Exploration Targeting and is continuing research to enhance exploration effectiveness in the regions in which it operates.

Cue Project

Musgrave has entered into a Farm-In and Joint Venture Agreement with Silver Lake to earn up to an 80% interest in the Cue Project (previously part of Silver Lake's Murchison Operation) consisting of the Moyagee Gold and Hollandaire Copper Projects in the highly prospective Murchison province of Western Australia (see Musgrave ASX Announcement of 25 November 2015: "*Musgrave Secures Advanced Gold and Copper Project*").

The Cue Project delivers on the Company's previously announced strategy to acquire an advanced stage project within Australia.

The Cue Project hosts existing Moyagee and Hollandaire Mineral Resources and Reserves:

- 1.9Mt @ 2.0g/t Au (126,900oz contained Au) in Resources at Moyagee*,
- 0.7Mt @ 1.6g/t Au (34,300oz contained Au) in Resources at Hollandaire and Rapier*,
- 2.0Mt @ 1.9% Cu (38,800t contained Cu) in Resources at Hollandaire*, and
- 0.4Mt @ 3.3% Cu (14,700t contained Cu) in Reserves at Hollandaire*.

The Cue Project has significant upside potential and high priority drill ready targets. Extensional drilling has the potential to increase the existing resource base.

**Note: Gold and Copper resources are estimated by Silver Lake and reported in the Silver Lake ASX Announcement of 28 August 2015: "Mineral Resources and Reserves Update".*

Fraser Range Project

Musgrave undertook a Reverse Circulation ("RC") drilling programme at Mamba in the Fraser Range to test a late time electromagnetic conductor at M8 and intersected anomalous copper and gold. The Company also undertook a detailed gravity survey and drill tested six nickel-copper and three gold targets with aircore drilling intersecting favourable mafic host rocks.

Southern Gawler Projects

Musgrave undertook an aircore drilling program at Corunna and identified an anomalous zone of lead, zinc and silver mineralisation at shallow depths at the Area 1 target in a zone approximately 300m wide and open to the north and south (see Musgrave ASX Announcement of 27 August 2015: "*MGV Exploration Update – Corunna*").

Directors' Report

Best intersections include:

- 11m @ 1.0% Pb, 0.5% Zn, 4.2g/t Ag from 19m
- 6m @ 1.0% Pb, 0.2% Zn, 8.2g/t Ag from 14m
- 13m @ 0.6% Pb, 0.4% Zn, 7.2g/t Ag from 32m
- 22m @ 0.5% Pb, 0.2% Zn, 13.2g/t Ag from 17m

Musgrave Region Projects

In northern South Australia, the Musgrave Province lies almost entirely within Anangu Pitjantjatjara Yankunytjatjara land (Aboriginal freehold land). No field exploration was undertaken during the period.

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s307C of the *Corporations Act 2001* is included on page 7.

This report is made in accordance with a resolution of the directors.



Mr Graham Ascough
Chairman

Perth, 23 February 2016

Competent Person's Statement

Exploration Results

The information in this report that relates to Exploration Targets and Exploration Results 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.

Competent Person's Statement

Mineral Resources and Ore Reserves

The information in this report that relates to Mineral Resources or Ore Reserves that relate to the Holladaire deposit based on information compiled by Mr Matthew Karl, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Karl is a full-time employee of Silver Lake Resources Limited. Mr Karl 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 Karl consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

All other information in this report that relates to Mineral Resources or Ore Reserves is based on information compiled and/or thoroughly reviewed by Mr Antony Shepherd, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Shepherd is a full-time employee of Silver Lake Resources Limited. Mr Shepherd 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 Shepherd consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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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 2015, 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



C A Becker
Partner - Audit & Assurance

Perth, 23 February 2016

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Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Half-Year Ended 31 December 2015

		Consolidated Group Half-year ended	
		31 December 2015	31 December 2014
		\$	\$
	Note		
Other income		141,417	97,083
Impairment of exploration and evaluation assets	5	(243,040)	(1,786,865)
Employee benefits expense		(133,156)	(178,946)
Depreciation expense		(11,486)	(20,457)
Finance expenses		-	(96)
Misappropriated funds	9	-	(337,250)
Other expenses		(150,064)	(308,091)
Loss before income tax expense		(396,329)	(2,534,622)
Income tax benefit/(expense)		-	-
Loss from continuing operations		(396,329)	(2,534,622)
Loss attributable to members of the parent entity		(396,329)	(2,534,622)
Other comprehensive income		-	-
Total comprehensive income for the period		(396,329)	(2,534,622)
Earnings per share:		<i>Cents</i>	<i>Cents</i>
Basic earnings per share		(0.33)	(2.09)
Diluted earnings per share		(0.33)	(2.09)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 31 December 2015

	Note	Consolidated Group	
		31 December 2015 \$	30 June 2015 \$
CURRENT ASSETS			
Cash and cash equivalents	4	2,588,897	3,737,403
Trade and other receivables		95,773	47,158
Other current assets		21,202	29,520
TOTAL CURRENT ASSETS		2,705,872	3,814,081
NON-CURRENT ASSETS			
Property, plant and equipment		74,908	96,188
Exploration and evaluation assets	5	10,983,734	10,391,152
TOTAL NON-CURRENT ASSETS		11,058,642	10,487,340
TOTAL ASSETS		13,764,514	14,301,421
CURRENT LIABILITIES			
Trade and other payables		111,401	297,064
Short-term provisions		42,166	77,237
TOTAL CURRENT LIABILITIES		153,567	374,301
NON-CURRENT LIABILITIES			
Long-term provisions		23,288	19,385
TOTAL NON-CURRENT LIABILITIES		23,288	19,385
TOTAL LIABILITIES		176,855	393,686
NET ASSETS		13,587,659	13,907,735
EQUITY			
Issued capital	7	26,793,899	26,718,899
Reserve		2,859,958	2,858,705
Accumulated losses		(16,066,198)	(15,669,869)
TOTAL EQUITY		13,587,659	13,907,735

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity For the Half Year Ended 31 December 2015

	Consolidated Group			
	Issued Capital \$	Share Option Reserve \$	Accumulated Losses \$	Total Equity \$
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
Balance at 1 July 2015	26,718,899	2,858,705	(15,669,869)	13,907,735
Issue of shares	75,000	-	-	75,000
Share based payments	-	1,253	-	1,253
Total comprehensive loss for the period	-	-	(396,329)	(396,329)
Balance at 31 December 2015	26,793,899	2,859,958	(16,066,198)	13,587,659

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Consolidated Statement of Cash Flows
For the Half Year Ended 31 December 2015**

	Note	Consolidated Group	
		Half year ended 31 Dec 2015 \$	Half year ended 31 Dec 2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(317,410)	(966,515)
Interest received		38,795	93,823
NET CASH USED IN OPERATING ACTIVITIES		(278,615)	(872,692)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(2,468)	-
Proceeds from sale of property, plant and equipment		7,000	-
Payments for exploration activities		(874,423)	(937,084)
NET CASH USED IN INVESTING ACTIVITIES		(869,891)	(937,084)
Net decrease in cash and cash equivalents		(1,148,506)	(1,809,776)
Cash at the beginning of the year		3,737,403	6,139,459
CASH AT THE END OF THE PERIOD	4	2,588,897	4,329,683

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2015

1. CORPORATE INFORMATION

The financial report of Musgrave Minerals Limited (“the Company”) for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 23 February 2016.

The Company’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.

Musgrave Minerals Limited is a company incorporated in Australia and limited by shares which are quoted on the Australian Securities Exchange.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Musgrave Minerals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The half-year financial report has been prepared on a historical cost basis, except where stated. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australia Accounting Standards Board (“AASB”) that are relevant to its operations and effective for the current half year reporting period. These include:

- AASB 2013-9: *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part C: Financial Instruments)*;
- AASB 2014-1: *Amendments to Australian Accounting Standards (Part E: Financial Instruments)*;
- AASB 2014-8: *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)*;
- AASB 2015-3: *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*; and
- AASB 2015-4: *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent*.

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2015

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The adoption of all of the new and revised Standards and Interpretations has not resulted in any changes to the Company's/Group's accounting policies and has had no effect on the amounts reporting for the current or prior periods.

(c) Critical accounting estimates and judgements

The preparation of financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the annual consolidated financial statements as at and for the year ended 30 June 2015.

3. SEGMENT INFORMATION

The Group continues to operate in one geographical segment, being Australia and in one operating category, being mineral exploration and evaluation.

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.

	Consolidated	
	31 December 2015	30 June 2015
	\$	\$

4. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	338,897	1,465,403
Short-term deposits	2,250,000	2,272,000
	<u>2,588,897</u>	<u>3,737,403</u>

5. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets	10,983,734	10,391,152
	<u>10,983,734</u>	<u>10,391,152</u>

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2015

5. EXPLORATION AND EVALUATION ASSETS (continued)

Consolidated Group	Total \$
Balance 1 July 2015	10,391,152
Additions through expenditure capitalised	835,622
Impairment of tenements *	<u>(243,040)</u>
Balance at 31 December 2015	<u>10,983,734</u>

*During the half year ended 31 December 2015, a total of \$243,040 (2014: \$1,786,865) has been taken as an impairment of the consolidated Group's exploration and evaluation assets.

6. COMMITMENTS AND CONTINGENCIES

As at the reporting date there has been no material change in the commitments and contingencies since the 30 June 2015 annual report.

7. ISSUED CAPITAL

	Consolidated	
	31 December 2015 \$	30 June 2015 \$
Issued Capital		
Ordinary shares	26,793,899	26,718,899
	<u>26,793,899</u>	<u>26,718,899</u>
Movement in ordinary shares on issue	Number	\$
At 1 July 2014	121,000,000	26,718,899
At 31 December 2014	<u>121,000,000</u>	<u>26,718,899</u>
At 1 July 2015	121,000,000	26,718,899
Issue of shares to Silver Lake Resources	4,032,258	75,000
At 31 December 2015	<u>125,032,258</u>	<u>26,793,899</u>

8. SHARE BASED PAYMENTS

In September 2015, 1,025,000 unlisted employee options which had previously been cancelled due to an administrative oversight were re-issued. The fair value of the options re-issued was determined using a Black Scholes pricing model. The following table lists the inputs to the model for options granted during the six months ended 31 December 2015:

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2015

8. SHARE BASED PAYMENTS (continued)

Exercise price	\$0.36	\$0.25	\$0.25	\$0.12
Grant date	16 Sep 2015	16 Sep 2015	16 Sep 2015	16 Sep 2015
Expiry date	8 May 2016	23 Jan 2017	23 Mar 2018	10 Mar 2019
Share price at grant date	\$0.022	\$0.022	\$0.022	\$0.022
Historical volatility (%)	81.63%	81.63%	81.63%	81.63%
Risk-free interest rate (%)	1.92%	1.93%	1.93%	2.2%
Expected dividend yield (%)	0%	0%	0%	0%

The expense for the half-year was \$1,253 (2014: \$Nil).

9. MISAPPROPRIATED FUNDS

As reported in the Company's 2015 Annual Report and disclosed in the Company's announcement released to the ASX on 12 February 2015, investigations into a number of irregular transactions were undertaken by the Company. The investigations concluded that the amount of funds involved in the irregular transactions was \$468,772. \$337,250 of these funds were misappropriated during the comparative 6 month period ended 31 December 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 was subsequently terminated.

On 16 November 2015 the ex-employee pleaded guilty to stealing as a servant and received a custodial sentence. To date, the Company has managed to recover \$136,043.

10. DIVIDENDS

No dividends have been declared or paid during the half-year.

11. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Due to their short term nature, the carrying amounts of current receivables and current payables is assumed to approximate their fair value.

12. RELATED PARTY TRANSACTIONS

During the half 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 half year ended 31 December 2015 totalled \$6,723 excluding GST (2014: \$61,209).

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2015

13. EVENTS SUBSEQUENT TO THE REPORTING DATE

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

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 2015 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

23 February 2016

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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 (“the Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, 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, 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 the Company 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 2015 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.

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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 2015 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



C A Becker
Partner - Audit & Assurance

Perth, 23 February 2016