FINANCIAL STATEMENTS

For the year ended 30 June 2019

ABN 12 143 890 671

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CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Patricia (Trish) Farr

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SECURITIES EXCHANGE LISTING

The Company is listed on the Australian Securities Exchange Ltd ("ASX")

Home Exchange:	Perth, Western Australia
ASX Code:	MGV

CHAIRMAN'S LETTER

On behalf of the Board of Directors, it is my pleasure to present the 2019 Annual Report for Musgrave Minerals Limited ("Musgrave" or "Company").

The Company's focus continues to be on the Cue Project ("Cue") in the well-endowed, gold producing Murchison region of Western Australia where our main objective is to significantly grow our gold resources through extensional and greenfield exploration drilling. Exploration success continued through 2019, the main highlight being the discovery of extensive gold mineralisation under transported cover at Lake Austin North.

The potential of Lake Austin North is highlighted by drill intersections received to date, such as 242m @ 1.0g/t Au, including 45m @ 3.3g/t Au (*see ASX announcement 3 December 2018, "Diamond Drilling Confirms Significant Gold Discovery at Lake Austin North"*). There is still a lot of work to be completed at Lake Austin as our 2019 drilling campaign identified basement gold mineralisation over a strike extent of more than 500m and this large gold zone is still open along strike and at depth. Also, the Lake Austin North discovery is within a more than 3km long, regolith gold anomaly and regional aircore drilling has identified a broad zone of more than 8km in combined strike of basement gold targets that require follow-up basement drill testing. This large exploration program will require significant long term funding but we remain confident that Lake Austin has the potential for further discoveries and is host to a significant gold system.

In March 2019, The Company entered an option agreement to acquire 100% of the non-alluvial gold rights to the Mainland Project in the Cue region. Mainland lies along strike, to the north of Lake Austin and produced significant quantities of alluvial gold over the years but has only seen very limited basement drilling.

At the Lena deposit to the south of Lake Austin, the team identified several high-grade shoots that have the potential to significantly grow the gold resource beyond the current JORC estimate. Drilling at both Mainland and Lena commenced in the new financial year and both prospects are delivering excellent, early results.

Given the ongoing drilling success at Cue, the current resource figure of 440koz of gold is expected to grow. As stated above, Cue is located in the gold producing Murchison region of Western Australia, a region that is host to four operating gold plants including Westgold's Tuckabianna plant.

At the end of the last financial year Musgrave and Westgold agreed to a non-binding Term Sheet that provided the scope on which a formal Mine Management and Profit Sharing Agreement could be negotiated. Although these negotiations did not lead to a formal agreement, the Company continues to advance its internal optimisation and development studies to assist in forecasting production goals and potential development pathways for the project.

In the meantime, Musgrave will continue to look at funding options to capitalise on the exploration upside and accelerate drilling programs across a range of high priority targets including Mainland, Lena and Lake Austin North, with the aim of making further high-grade gold discoveries that could support a stand-alone operation or alternatively be mined in partnership with an existing local producer.

The Company completed a capital raising in December 2018 to raise $5.5M through a share placement to institutional and sophisticated investors. The Placement attracted several new investors to the Company and was supported by many existing shareholders. I would like to take this opportunity, on behalf of the Board, to thank all our Shareholders for their ongoing support.

I would also like to thank the staff, management, contractors and my fellow directors for their ongoing efforts. We are committed to progressing the Company by advancing targets towards discovery and development through corporate deals, high-quality exploration and technical studies for the benefit of all Musgrave shareholders.

Graham Ascough

Chairman

REVIEW OF OPERATIONS

Musgrave Minerals Ltd ("Musgrave" or "the Company") (ASX:MGV) is an Australian resources company focused on gold exploration and development at the Cue Project in the Murchison Province of Western Australia.

Exploration activities for the financial year have been focused on gold exploration at Cue. The Company has had significant exploration success during the year with the discovery of high grade gold under transported cover at Lake Austin North.

Musgrave has an estimated 440koz of gold in resources on the Cue Project and completed more than 30,000m of drilling during the year. The total Indicated and Inferred JORC Mineral Resources on the project are; 4.83 Mt @ 2.84g/t Au for 440,000 ounces of gold (*see ASX announcement 15 October 2018, "Annual Report"*).

The Break of Day and Lena Mineral Resource estimates are being used as the basis for in-house near term development studies.

Musgrave's intent is to secure exploration finance, grow the resource base and develop a low-cost operation to enable the Company to self-fund exploration and growth through continuous discovery.

2019 was a successful year for Musgrave, with a very positive and extensive lake drilling campaign, the discovery of gold mineralisation at Lake Austin North and the divestment of the base metal interests on our northern Cue tenements. Our focus continues to be on the Cue Project ("Cue") which is located in the well-endowed, gold producing Murchison region of Western Australia.

The Company's focus is on de-risking our funding requirements and expanding our gold resources through extensional and new greenfield exploration drilling at Cue. Exceptional hits such as 242m @ 1.0g/t Au, including 45m @ 3.3g/t Au (*see ASX announcement 3 December 2018, "Diamond Drilling Confirms Significant Gold Discovery at Lake Austin North"*) have highlighted the potential of the Lake Austin North area with basement gold mineralisation now confirmed over a strike extent of more than 500m where it is still open along strike and at depth. The Lake Austin North prospect is within a 3km long regolith gold anomaly which is still largely untested.

Regional aircore drilling on Lake Austin has identified more than 8km of basement gold targets within multiple zones of strong regolith gold anomalism that require follow-up basement drill testing. Secure long term funding will be required to fully test the gold potential of these new under cover targets.

At Lena, the team has identified a number of high-grade shoots that have the potential to significantly grow the gold resource beyond the current resource estimate. An analysis of historical data has highlighted a number of intercepts below the existing resource including, 6.0m @ 31.1g/t Au (MGDD3) and 6.2m @ 18.6g/t Au (MGDD2) (*see ASX announcement 12 July 2019, "Opportunity to Extend Lena High-Grade Resource at Cue"*). A drilling program has commenced to test these new target zones with positive results returned in early drilling.

In March 2019, Musgrave entered into an option agreement to acquire 100% of the non-alluvial gold rights to the Mainland Project in the Cue region. The Mainland area has seen very limited basement drilling but produced significant quantities of alluvial gold over the years. Drilling has commenced at Mainland with high-grade gold intersected and further drilling planned.

Musgrave successfully completed a capital raising in December 2018 to raise $5.5M through a share placement to institutional and sophisticated investors.

During the year the Company continued to refine its exploration portfolio with applications for additional gold tenements in the Cue region. On 19 February 2019, Musgrave entered into a binding Term Sheet with Cyprium Australia Pty Ltd ("Cyprium") regarding an option to earn-in and joint venture on the non-gold rights over the northern Cue tenure including the Hollandaire copper deposit. Cyprium is listed on the ASX (ASX:CYM) and as part of the farm-out Musgrave received 1.3 million shares in Cyprium. The farm-out of base metals at Hollandaire allows Musgrave to focus on its priority gold targets but still maintain an interest in the base metals as they are drilled and evaluated by Cyprium.

Full details of the Company's exploration activities are available in the Review of Operations in the Annual Report.

TABLE 1: SUMMARY OF JORC RESOURCES AND RESERVES FOR THE CUE PROJECT

Mineral Resources

Gold Mineral Resources as at 30 June 2019

Deposit	Indicated Resources			Inferred Resources			TOTAL RESOURCES		
	Tonnes '000s	Au g/t	Ounces Au '000s	Tonnes '000s	Au g/t	Ounces Au '000s	Tonnes '000s	Au g/t	Ounces Au '000s
Moyagee									
Break of Day	445	7.73	111	423	6.54	89	868	7.15	199
Lena	1,288	1.69	70	1,394	1.85	83	2,682	1.77	153
Leviticus	-	-	-	42	6.0	8	42	6.00	8
Numbers	-	-	-	278	2.5	22	278	2.46	22
SUBTOTAL	1,733	3.24	181	2,137	2.94	202	3,870	3.07	382
Eelya									
Hollandaire	473	1.4	21	45	1.1	2	518	1.35	22
Rapier South				171	2.2	12	171	2.15	12
SUBTOTAL	473	1.4	21	216	1.9	13	689	1.55	34
Tuckabianna									
Jasper Queen	-	-	-	175	2.6	15	175	2.60	15
Gilt Edge	-	-	-	96	3.1	9	96	3.06	9
SUBTOTAL	-	-	-	271	2.8	24	271	2.8	24
TOTAL	2,206	2.84	202	2,623	2.84	239	4,830	2.84	441

Copper Mineral Resources as at 30 June 2019 (1)

Deposit	Indicated Resources			Inferred Resources			TOTAL RESOURCES		
	Tonnes '000s	Grade %	Tonnes Cu '000s	Tonnes '000s	Grade %	Tonnes Cu '000s	Tonnes '000s	Grade %	Tonnes Cu '000s
Hollandaire Copper	1,891	2.0	38	122	1.4	2	2,013	2.0	40

Silver Mineral Resources as at 30 June 2019 (1)

Deposit	Indicated Resources			Inferred Resources			TOTAL RESOURCES		
	Tonnes '000s	Grade g/t	Ounces Ag '000s	Tonnes '000s	Grade g/t	Ounces Ag '000s	Tonnes '000s	Grade g/t	Ounces Ag '000s
Hollandaire Silver	1,925	6.3	390	728	4.7	110	2,653	5.9	500

Ore Reserves

Copper Ore Reserves as at 30 June 2019 (1)

Deposit	Proven Reserves			Probable Reserves			TOTAL RESERVES		
	Tonnes '000s	Grade %	Tonnes Cu '000s	Tonnes '000s	Grade %	Tonnes Cu '000s	Tonnes '000s	Grade %	Tonnes Cu '000s
Hollandaire Copper	-	-	-	442	3.3	15	442	3.3	15

Silver Ore Reserves as at 30 June 2019 (1)

Deposit	Proven Reserves			Probable Reserves			TOTAL RESERVES		
	Tonnes '000s	Grade g/t	Ounces Ag '000s	Tonnes '000s	Grade g/t	Ounces Ag '000s	Tonnes '000s	Grade g/t	Ounces Ag '000s
Hollandaire Silver	-	-	-	574	8.2	151	574	8.2	151

* Due to effects of rounding, the total may not represent the sum of all components.

(1) Notes to Table 1

The Break of Day and Lena Mineral Resources at Moyagee are reported in accordance with the 2012 Edition of the Australian Code of Reporting of Mineral Resources and Ore Reserves (JORC 2012). The remaining Mineral Resources and Ore Reserve estimates were first prepared and disclosed in accordance with the 2004 Edition of the Australian Code of Reporting of Mineral Resources and Ore Reserves (JORC 2004) and have not been updated since to comply with JORC 2012 on the basis that the information has not materially changed since it was last reported. For further details refer to Musgrave Minerals Ltd (MGV) ASX announcement 14 July 2017, "Resource Estimate Exceeds 350koz Gold" and Silver Lake Resources Limited (SLR) ASX Announcement 26 August 2016, "Mineral Resources and Ore Reserves Update".

(1) On 19 February 2019, Musgrave entered into a binding Term Sheet with Cyprium Australia Pty Ltd regarding an option to earn-in and joint venture on the non-gold rights over the northern Cue tenure including Hollandaire.

Mineral Resources and Ore Reserves

The information in this report that relates to Mineral Resources at Break of Day and Lena is based on information compiled by Mr Aaron Meakin. Mr Meakin is a full-time employee of CSA Global Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy. Mr Meakin has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Persons as defined in the 2012 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Meakin consents to the disclosure of the information in this report in the form and context in which it appears.

The information in this report that relates to the Hollandaire, Rapier South, Jasper Queen, Gilt Edge, Leviticus and Numbers Mineral Resource and Ore Reserve estimates is extracted from the report created by Silver Lake Resources Limited entitled "Mineral Resources and Ore Reserves Update", 26 August 2016 and is available to view on Silver Lake's website (www.silverlakeresources.com.au) and the ASX (www.asx.com.au). The Company confirms that it is not aware of any new information or data that materially effects the information included in the original market announcement and, in the case of estimates of Minerals Resources and Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms *that the form and context in which the Competent Person's findings are presented, have not been materially modified from the original market announcement.*

Exploration Results

The information in this presentation that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled and thoroughly reviewed by Mr Robert Waugh. Mr Waugh is a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM) and a Member of the Australian Institute of Geoscientists (MAIG). Mr Waugh is Managing Director of Musgrave Minerals Ltd. 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 the information in the form and context in which it appears.

Forward Looking Statements

This document may contain certain forward-looking statements. Forward-looking statements include, but are not limited to statements concerning Musgrave Minerals Limited's (Musgrave's) current expectations, estimates and projections about the industry in which Musgrave operates, and beliefs and assumptions regarding Musgrave's future performance. When used in this document, words such as "anticipate", "could", "plan", "estimate", "expects", "seeks", "intends", "may", "potential", "should", and similar expressions are forward-looking statements. Although Musgrave believes that its expectations reflected in these forward-looking statements are reasonable, such statements are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Musgrave and no assurance can be given that actual results will be consistent with these forward-looking statements.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Musgrave Minerals Limited ("the Company") and its subsidiary ("the Group" or "the Consolidated Entity") at the end of the year ended 30 June 2019.

DIRECTORS

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report:

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

PRINCIPAL ACTIVITIES

During the year, the principal continuing activities of the Group consisted of:

- exploration of mineral tenements, both on a joint venture basis and by the Group in its own right, with the intent to progress to development in the near to mid-term;
- development studies on existing resources;
- continuing to seek extensions of areas held and to seek out new areas with mineral potential; and
- evaluating results received through surface sampling, geophysical surveys and drilling activities carried out during the year.

FINANCIAL RESULTS

The consolidated loss of the Group after providing for income tax for the year ended 30 June 2019 was $1,329,040 (2018: $189,475).

DIVIDENDS

No dividends have been paid or declared since the start of the financial year. No recommendation for the payment of a dividend has been made by the Directors.

OPERATIONS AND FINANCIAL REVIEW

Information on the operations of the Group and its prospects is set out in the "Review of Operations" section of this Report.

FINANCIAL

Exploration and evaluation costs totalling $336,589 (2018: $41,108) were impaired during the year. The impaired exploration and evaluation costs primarily comprise previously capitalised costs in relation to the Company's Corunna Project (EL5497) in South Australia.

As at 30 June 2019, the Group had net assets of $20,092,444 (2018: $16,086,195) including cash and cash equivalents of $3,543,732 (2018: $5,230,122).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

Exploration continues to be a major focus for the Company with exceptional drilling results at the Cue Project as discussed in the Review of Operations section of this report.

On 19 December 2018, the Company completed a placement to corporate, institutional, professional and sophisticated investors of 59,782,609 ordinary shares at an issue price of 9.2 cents per share raising $5,500,000 before costs.

In February 2019, the Company executed a Binding Term Sheet with Cyprium Australia Pty Ltd ("Cyprium") regarding an option, earn-in and joint venture on the non-gold rights over the northern tenements at the Cue Project in Western Australia's Murchison region. Cyprium made an initial payment of $10,000 for an exclusive 90-day option period and on 31 May 2019 exercised the option to earn an 80% interest by the payment to the Company of $250,000 worth of shares in ARC Exploration Limited (subsequently renamed Cyprium Metals Limited (ASX:CYM)). Cyprium is required to spend $2 million on exploration within two years to acquire the 80% interest. Musgrave will retain a 20% free-carried interest to the completion of a definitive feasibility study.

In March 2019, the Company entered into an Option Agreement ("Agreement") to acquire the non-alluvial gold rights to the Mainland Project which is located within the boundaries of the Company's Cue Gold Project. Musgrave paid $125,000 for a 100% interest in the tenements (excluding the vendor's interest in alluvial gold) with a further $100,000 due within 18 months and an additional $300,000 to be paid as milestone payments in Musgrave shares or cash (at the Company's discretion) before the fourth anniversary of the Agreement. The vendor will be entitled to a 1% gross royalty on any gold produced by the Company from the tenements (excluding any alluvial gold).

In March 2019, the non-binding Term Sheet with Westgold Resources Limited to explore the potential profit sharing development of Lena and Break of Day expired. Westgold remains a substantial shareholder.

There were no other significant changes in the state of affairs of the Group during the financial year.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 17 September 2019 Musgrave announced that it had entered into an Earn-In and Joint Venture Exploration Agreement with Evolution Mining Limited over a select area of Lake Austin and surrounds (JV Area) of the Cue Project in the Murchison District of Western Australia. The JV Area excludes all the known resources including Lena and Break of Day and the Mainland option area. Evolution can earn a 75% interest in the JV Area by sole funding A$18 million on exploration over a five year term with a minimum commitment of A$4 million in the first two years. Musgrave will manage the JV during the initial period. As part of the Agreement, Evolution has agreed to subscribe for 18,587,361 ordinary shares in Musgrave through a share placement ("Placement") at a price of $0.0807 per share. The placement was set at the 30-day VWAP for Musgrave shares and represents a holding of 4.59% (undiluted) in the Company.

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Directors are not aware of any developments that might have a significant effect on the operations of the Group in subsequent financial years not already disclosed in this report.

ENVIRONMENTAL REGULATION

The Group is subject to significant environmental regulation in respect of its exploration activities. Tenements in Western Australia and South Australia are granted subject to adherence to environmental conditions with strict controls on clearing, including a prohibition on the use of mechanised equipment or development without the approval of the relevant Government agencies, and with rehabilitation required on completion of exploration activities. These regulations are controlled by the Department of Mines, Industry Regulation and Safety (*Western Australia*) and the Department of State Development (*South Australia*).

Musgrave Minerals Limited conducts its exploration activities in an environmentally sensitive manner and the Group is not aware of any breach of statutory conditions or obligations.

Greenhouse gas and energy data reporting requirements

The Directors have considered compliance with the *National Greenhouse and Energy Reporting Act 2007* which requires entities to report annual greenhouse gas emissions and energy use. The Directors have assessed that there are no current reporting requirements for the year ended 30 June 2019. However, reporting requirements may change in the future.

INFORMATION ON DIRECTORS

Graham Ascough BSc, PGeo, MAusIMM (Non-Executive Chairman), Director since 26 May 2010		
Experience and expertise	Graham Ascough is a senior resources executive with more than 30 years of industry experience evaluating mineral projects and resources in Australia and overseas. He has had broad industry involvement ranging from playing a leading role in setting the strategic direction for significant country-wide exploration programs to working directly with mining and exploration companies. Mr Ascough is a geophysicist by training and was the Managing Director of ASX listed Mithril Resources Ltd from October 2006 until June 2012. Prior to joining Mithril in 2006, Mr Ascough was the Australian Manager of Nickel and PGM Exploration at the major Canadian resources house, Falconbridge Ltd (acquired by Xstrata Plc in 2006). He is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM") and is a Professional Geoscientist of Ontario, Canada.	
Other current directorships	PNX Metals Ltd (appointed 10 December 2012) Sunstone Metals Ltd (formerly Avalon Minerals Ltd) (appointed 29 November 2013)	
Former directorships in last three years	Mithril Resources Ltd (appointed 9 October 2006 – ceased 15 May 2019)	
Special responsibilities	Chair of the Board Member of the Audit Committee	
Interests in shares and options	Ordinary shares – Musgrave Minerals Limited Unlisted options – Musgrave Minerals Limited	1,091,172 3,000,000

Mr Robert Waugh MSc, BSc, FAusIMM, MAIG (Managing Director), Director since 6 March 2011		
Experience and expertise	Robert Waugh has over 25 years of experience in the resources sector and was a critical member of the WMC Resources Ltd ("WMC") exploration team that discovered the Nebo-Babel nickel/copper/PGM deposit at West Musgrave in 2000. He was subsequently Project Manager of the team that defined the initial resource at Nebo-Babel. Mr Waugh has held senior exploration management roles in a number of companies including WMC and BHP Billiton Exploration Ltd. Mr Waugh has extensive exploration and mining experience in a range of commodities including gold, nickel, copper, uranium and PGMs. Mr Waugh holds a Bachelor of Science degree majoring in geology from the University of Western Australia and a Master of Science in Mineral Economics from Curtin University and the Western Australian School of Mines. Mr Waugh is a Fellow of the AusIMM and a Member of the Australian Institute of Geoscientists.	
Other current directorships	None	
Former directorships in last three years	None	
Special responsibilities	Managing Director	
Interests in shares and options	Ordinary shares – Musgrave Minerals Limited Unlisted options – Musgrave Minerals Limited	1,717,172 6,100,000

Mrs Kelly Ross BBus, CPA, AGIA (Non-Executive Director), Director since 26 May 2010		
Experience and expertise	Kelly Ross is a qualified accountant holding a Bachelor of Business (Accounting) and has the designation CPA from the Australian Society of Certified Practicing Accountants. Mrs Ross is a Chartered Secretary with over 25 years' experience in accounting and administration in the mining industry. Mrs Ross was a senior accountant at Resolute Ltd from 1987 to 2000 during which time Resolute became a gold producer in Ghana, Tanzania and at several mines in Western Australia. Mrs Ross was the Company Secretary of Independence Group NL ("IGO") for 10 years from 2001 to 2011. IGO listed on the ASX in 2002 and commenced mining at the Long Nickel Mine during that year. Mrs Ross was a Director of IGO for 12 years from 2002 to 2014. Mrs Ross retired from the Board of IGO on 24 December 2014. Mrs Ross was appointed a Director of Musgrave Minerals on 26 May 2010 and is the Chairman of the Audit Committee.	
Other current directorships	Yandal Resources Ltd (appointed 6 April 2018)	
Former directorships in last three years	None	
Special responsibilities	Chair of the Audit Committee	
Interests in shares and options	Ordinary shares – Musgrave Minerals Limited Unlisted options – Musgrave Minerals Limited	181,492 2,000,000

Mr John Percival (Non-Executive Director), Director since 26 May 2010		
Experience and expertise	John Percival has been involved in investment and merchant banking for over 25 years including 15 years as Investment Manager of Barclays Bank New Zealand Ltd. In addition, he has extensive experience in stockbroking, corporate finance and investment management. In 1995 Mr Percival was appointed to the Board of Goldsearch Limited and was an Executive Director from 2000 to 2014. In May 2014, Goldsearch changed direction and Mr Percival resigned his executive position.	
Other current directorships	None	
Former directorships in last three years	Zoono Group Limited (formerly Goldsearch Ltd) (resigned 26 April 2017)	
Special responsibilities	Member of the Audit Committee	
Interests in shares and options	Ordinary shares – Musgrave Minerals Limited Unlisted options – Musgrave Minerals Limited	694,559 2,000,000

COMPANY SECRETARY

Mrs Patricia (Trish) Farr, GradCertProfAcc, GradDipACG, FGIA, FCIS, GAICD, appointed 30 June 2015

Trish Farr is an experienced Chartered Secretary with over 20 years' experience in the exploration and mining industry in the areas of corporate governance, compliance and administration. Mrs Farr has provided company secretarial services to several ASX listed and unlisted companies having previously been the Company Secretary of uranium junior Energy Metals Limited from its listing in 2005 to 2010 and Fox Resources Ltd from 2013 to 2014. Mrs Farr is also a Director and the Company Secretary of Jindalee Resources Limited.

Mrs Farr is a fellow member of Chartered Secretaries & Administrators and the Governance Institute of Australia (formerly Chartered Secretaries Australia) and a graduate member of the Australian Institute of Company Directors.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2019, and the numbers of meetings attended by each Director were:

	Board of Directors		Audit Committee	
	A	B	A	B
Graham Ascough	9	10	2	2
Robert Waugh	10	10	n/a	n/a
Kelly Ross	10	10	2	2
John Percival	10	10	2	2

A = Number of meetings attended.
B = Number of meetings held during the time the Director held office or was a member of the committee during the year.

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Mr Graham Ascough, being the Director retiring by rotation who, being eligible, will offer himself for re-election at the 2019 Annual General Meeting.

REMUNERATION REPORT (AUDITED)

The Directors present the Musgrave Minerals Limited 2019 Remuneration Report, outlining key aspects of the Company's remuneration policy and framework, and remuneration awarded this year.

The report contains the following sections:

a) Key management personnel covered in this report
b) Remuneration governance and the use of remuneration consultants
c) Executive remuneration policy and framework
d) Relationship between remuneration and the Group's performance
e) Non-executive director remuneration policy
f) Voting and comments made at the Company's 2018 Annual General Meeting
g) Details of remuneration
h) Service agreements
i) Details of share-based compensation and bonuses
j) Equity instruments held by key management personnel
k) Loans to key management personnel
l) Other transactions with key management personnel.

a) Key management personnel covered in this report

Non-Executive and Executive Directors (see pages 11 to 13 for details about each director)

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

b) Remuneration governance and the use of remuneration consultants

The Company does not have a Remuneration Committee. Remuneration matters are handled by the full Board of the Company. In this respect the Board is responsible for:

- the over-arching executive remuneration framework;
- the operation of the incentive plans which apply to executive directors and senior executives (the executive team), including key performance indicators and performance hurdles;
- remuneration levels of executives; and
- non-executive director fees.

The objective of the Board is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

In addition, all matters of remuneration are handled in accordance with the *Corporations Act 2001* requirements, especially with regard to related party transactions. That is, none of the Directors participate in any deliberations regarding their own remuneration or related issues.

Independent external advice is sought from remuneration consultants when required, however no advice was sought during the period ended 30 June 2019.

c) Executive remuneration policy and framework

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood; and
- acceptable to shareholders.

All executives receive consulting fees or a salary, part of which may be taken as superannuation, and from time to time, options. The Board reviews executive packages annually by reference to the executive's performance and comparable information from industry sectors and other listed companies in similar industries.

All remuneration paid to specified executives is valued at the cost to the Group and expensed. Options are valued using a Black-Scholes option pricing model.

d) Relationship between remuneration and the Group's performance

Emoluments of Directors are set by reference to payments made by other companies of similar size and industry, and by reference to the skills and experience of Directors. Fees paid to Non-Executive Directors are not linked to the performance of the Group. This policy may change once the exploration phase is complete and the Group is generating revenue. At present the existing remuneration policy is not impacted by the Group's performance including earnings and changes in shareholder wealth (e.g. changes in share price).

The Board has not set short term performance indicators, such as movements in the Company's share price, for the determination of Non-Executive Director emoluments as the Board believes this may encourage performance which is not in the long-term interests of the Company and its shareholders. The Board has structured its remuneration arrangements in such a way it believes is in the best interests of building shareholder wealth. The Board believes participation in the Company's Employee Share Option Plan motivates and aligns key management and executives with the long-term interests of shareholders.

e) Non-executive director remuneration policy

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration relevant to the office of Director.

The Board policy is to remunerate Non-Executive Directors at commercial market rates for comparable companies for their time, commitment and responsibilities. Non-Executive Directors receive a Board fee but do not receive fees for chairing or participating on Board committees. Board members are allocated superannuation guarantee contributions as required by law, and do not receive any other retirement benefits. From time to time, some individuals may choose to sacrifice their salary or consulting fees to increase payments towards superannuation.

The maximum annual aggregate Non-Executive Directors' fee pool limit is $250,000 as disclosed in the Company's Replacement Prospectus dated 8 March 2011.

Fees for Non-Executive Directors are not linked to the performance of the Group. Non-Executive Directors' remuneration may also include an incentive portion consisting of options, subject to approval by shareholders.

f) Voting and comments made at the Company's 2018 Annual General Meeting

Musgrave Minerals Limited received more than 98% of "yes" votes on its remuneration report for the 2018 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

g) Details of remuneration

The following table shows details of the remuneration received by the Group's key management personnel for the current and previous financial year.

	Short-term employment benefits			Post-employment benefits	Share-based payments	Total $	Options %	Perf. Related %
	Salary & fees $	Bonus $	Non-monetary Benefit $	Superannuation $	Options $			
2019								
Directors								
G Ascough	65,000	-	-	-	75,878	140,878	53.9	-
R Waugh	275,433	54,415 (1)	-	31,336	151,755	512,939	29.6	10.6
K Ross	45,000	-	-	4,275	50,585	99,860	50.7	-
J Percival	45,000	-	-	4,275	50,585	99,860	50.7	-
TOTALS	430,433	54,415	-	39,886	328,803	853,537		
2018								
Directors								
G Ascough	65,000	-	-	-	32,670	97,670	33.4	-
R Waugh	268,716	-	-	25,528	65,340	359,584	18.2	-
K Ross	45,000	-	-	4,275	21,780	71,055	30.7	-
J Percival	45,000	-	-	4,275	21,780	71,055	30.7	-
TOTALS	423,716	-	-	34,078	141,570	599,364		

(1) Discovery bonus for Lake Austin North discovery.

h) Service agreements

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms of appointment, including compensation relevant to the office of Director. Remuneration and other terms of employment for other members of key management personnel are formalised in service agreements as summarised below.

R Waugh, Managing Director

Mr Waugh is remunerated pursuant to an Executive Services Agreement. Under the agreement the Company agrees to employ Mr Waugh as Managing Director of the Company with a base salary of $275,433 plus statutory superannuation. Either party may terminate the employment contract without cause by providing six months written notice or by making payment in lieu of notice (in the case of the Company), based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the Company can terminate employment at any time.

i) Details of share-based compensation and bonuses

Options

Options over ordinary shares in Musgrave Minerals Limited are granted under the Employee Share Option Plan ("ESOP"). Participation in the ESOP and any vesting criteria are at the Board's discretion and no individual has a contractual right to participate in the scheme or to receive any guaranteed benefits. Any options issued to Directors of the Company are subject to shareholder approval. Options issued to Directors in the 2019 financial year were approved by shareholders at the 2018 Annual General Meeting.

The terms and conditions of each grant of options affecting remuneration in the current or future reporting periods are set out below.

Option series	Issue date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	% Vested
S	21 Nov 2018	21 Nov 2018	16 Nov 2021	$0.1275	$0.0506	100%
T	30 Nov 2018	30 Nov 2018	16 Nov 2021	$0.1275	$0.0506	100%

The fair value of options at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Further information on the fair value of share options and assumptions is set out in Note 23 to the financial statements.

Bonus

During the year the Board awarded a Discovery Bonus to the Managing Director of 20% of base salary and to staff and contractors of 10% or 20% of base salary. The bonus was in recognition of the successful discovery of gold mineralisation at Lake Austin North.

j) Equity instruments held by key management personnel

The following tables detail the number of fully paid ordinary shares and options over ordinary shares in the Company that were held during the financial year by key management personnel of the Group, including their close family members and entities related to them.

Options

	Opening balance at 1 July	Granted as remuneration	Options exercised	Net change (other)	Balance at 30 June	Vested but not exercisable	Vested and exercisable	Vested during the year
2019								
Directors								
G Ascough	1,500,000	1,500,000	-	-	3,000,000	-	3,000,000	1,500,000
R Waugh	3,100,000	3,000,000	-	-	6,100,000	-	6,100,000	3,000,000
K Ross	1,000,000	1,000,000	-	-	2,000,000	-	2,000,000	1,000,000
J Percival	1,000,000	1,000,000	-	-	2,000,000	-	2,000,000	1,000,000
TOTAL	6,600,000	6,500,000	-	-	13,100,000	-	13,100,000	6,500,000

During the year, no ordinary shares in the Company were provided as a result of the exercise of remuneration options.

Shareholdings

	Opening balance at 1 July	Granted as remuneration	Options exercised	Net change (other)	Balance at 30 June
2019					
Directors					
G Ascough	1,091,172	-	-	-	1,091,172
R Waugh	1,457,172	-	-	260,000	1,717,172
K Ross	181,492	-	-	-	181,492
J Percival	694,559	-	-	-	694,559
TOTAL	3,424,395	-	-	260,000	3,684,395

k) Loans to key management personnel

There were no loans to individuals or any key management personnel during the financial year or the previous financial year.

l) Other transactions with key management personnel

There were no other transactions with key management personnel during the financial year or the previous financial year.

END OF REMUNERATION REPORT (AUDITED)

SHARES UNDER OPTION

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Date options issued	Expiry date	Issue price of shares	Number under option
22 April 2016	22 April 2021	$0.045	500,000
4 November 2016	3 November 2019	$0.167	2,550,000
4 November 2016	3 November 2021	$0.195	800,000
29 November 2017	29 November 2020	$0.097	3,250,000
7 December 2017	29 November 2020	$0.097	2,250,000
21 November 2018	16 November 2021	$0.1275	7,500,000
30 November 2018	16 November 2021	$0.1275	2,950,000
		TOTAL:	19,800,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no other shares issued on the exercise of options during the year and up to the date of this report.

CORPORATE GOVERNANCE STATEMENT

The Company's 2019 Corporate Governance Statement has been released as a separate document and is located on the Company's website at http://www.musgraveminerals.com.au/corporate-governance.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company paid a premium to insure the Directors and Officers of the consolidated entity against any liability incurred as a Director or Officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits the disclosure of the nature of the liabilities covered or the amount of the premium paid.

The Group has not entered into any agreement with its current auditors indemnifying them against claims by a third party arising from their position as auditor.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditors BDO Audit (WA) Pty Ltd and Grant Thornton Audit Pty Ltd for audit and non-audit services provided during the year are set out in Note 18. During the year ended 30 June 2019 no fees were paid or were payable for non-audit services provided by the auditors of the consolidated entity (2018: $Nil).

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

Signed in accordance with a resolution of the Directors.

Graham Ascough
Chairman

Perth, 19 September 2019

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DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF MUSGRAVE MINERALS LIMITED

As lead auditor of Musgrave Minerals Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Musgrave Minerals Limited and the entity it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 19 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

		CONSOLIDATED	
	Notes	2019 $	2018 $
Revenue from continuing operations	3(a)	108,996	66,077
Other income	3(a)	260,000	15,493
Employee benefits expense	3(b)	(676,034)	(370,660)
Depreciation expense		(25,747)	(13,080)
Impairment expense	10	(336,589)	(41,108)
Other expenses	3(c)	(335,666)	(390,323)
Change in fair value of derivate financial instruments	9(a)	(324,000)	418,000
Loss from continuing operations before income tax		(1,329,040)	(315,601)
Income tax benefit	5	-	126,126
Loss after income tax for the period attributable to the owners of Musgrave Minerals Limited		(1,329,040)	(189,475)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss			
Change in fair value of financial assets at fair value through OCI	9(b)	(354,425)	470,000
Other comprehensive income/(loss) for the period (net of tax)		(354,425)	470,000
Total comprehensive profit/(loss) for the period attributable to the owners of Musgrave Minerals Limited		(1,683,465)	280,525
		Cents per share	Cents per share
Profit/(loss) per share attributable to the owners of Musgrave Minerals Limited			
Basic loss per share	17	0.37	0.07
Diluted loss per share	17	0.37	0.07

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 30 JUNE 2019

	Notes	CONSOLIDATED 2019 $	CONSOLIDATED 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	3,543,732	5,230,122
Trade and other receivables	7	133,758	114,650
Other current assets	8	21,211	14,611
Derivate financial instruments	9(a)	131,000	455,000
Total Current Assets		3,829,701	5,814,383
Non-Current Assets			
Financial assets at fair value through other comprehensive income	9(b)	505,575	610,000
Property, plant and equipment		74,948	45,493
Exploration and evaluation	10	15,976,794	10,256,138
Total Non-Current Assets		16,557,317	10,911,631
TOTAL ASSETS		20,387,018	16,726,014
LIABILITIES			
Current Liabilities			
Trade and other payables	12	177,614	530,869
Provisions	13	116,960	108,950
Total Current Liabilities		294,574	639,819
TOTAL LIABILITIES		294,574	639,819
NET ASSETS		20,092,444	16,086,195
EQUITY			
Contributed equity	14	44,592,770	39,436,729
Reserves	15	1,128,652	971,276
Accumulated losses	16	(25,628,978)	(24,321,810)
TOTAL EQUITY		20,092,444	16,086,195

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE ENTITY				
	Issued Capital $	Options Reserve $	Financial Asset Reserve $	Accumulated Losses $	Total Equity $
At 1 July 2017	**32,646,322**	**303,494**	**16,789**	**(24,190,900)**	**8,775,705**
Total comprehensive loss for the period	-	-	-	(189,475)	(189,475)
Other comprehensive income	-	-	470,000	-	470,000
Profit/(loss) after income tax for the period (net of tax)	**-**	**-**	**470,000**	**(189,475)**	**280,525**
Transactions with owners in their capacity as owners:					
Issue of shares	7,010,050	-	-	-	7,010,050
Transaction costs of issuing shares	(219,643)	-	-	-	(219,643)
Transfer from share option reserve:					
- Due to exercise of options	-	(36,938)	-	36,938	-
- Due to expiry of options	-	(21,627)	-	21,627	-
- Issue of options	-	239,558	-	-	239,558
At 30 June 2018	**39,436,729**	**484,487**	**486,789**	**(24,321,810)**	**16,086,195**
At 1 July 2018	**39,436,729**	**484,487**	**486,789**	**(24,321,810)**	**16,086,195**
Total comprehensive loss for the period	-	-	-	(1,329,040)	(1,329,040)
Other comprehensive loss	-	-	(354,425)	-	(354,425)
Loss after income tax for the period (net of tax)	**-**	**-**	**(354,425)**	**(1,329,040)**	**(1,683,465)**
Transactions with owners in their capacity as owners:					
Issue of shares	5,500,000	-	-	-	5,500,000
Transaction costs of issuing shares	(343,959)	-	-	-	(343,959)
Transfer from share option reserve:					
- Due to expiry of options	-	(21,872)	-	21,872	-
- Issue of options	-	533,673	-	-	533,673
At 30 June 2019	**44,592,770**	**996,288**	**132,364**	**(25,628,978)**	**20,092,444**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	CONSOLIDATED 2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(743,881)	(539,570)
Interest received		102,396	61,773
Research and development tax rebate received		-	362,491
NET CASH FLOWS USED IN OPERATING ACTIVITIES	24	(641,485)	(115,306)
NET CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments for property, plant and equipment		(55,202)	(9,763)
Payments for tenements	10	(125,000)	(1,500,000)
Proceeds from sale of non-gold rights	3(a)	10,000	-
Payments for exploration activities		(6,030,744)	(3,480,531)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(6,200,946)	(4,990,294)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	14(b)	5,500,000	6,977,000
Proceeds from exercise of options		-	18,000
Share issue costs	14(b)	(343,959)	(219,643)
NET CASH FLOWS FROM FINANCING ACTIVITIES		5,156,041	6,775,357
Net increase/(decrease) in cash and cash equivalents		(1,686,390)	1,669,757
Cash and cash equivalents at beginning of the period		5,230,122	3,560,365
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	3,543,732	5,230,122

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

NOTE 1: CORPORATE INFORMATION

The consolidated financial report of Musgrave Minerals Limited for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 19 September 2019.

Musgrave Minerals Limited is a for profit company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange. The nature of the operation and principal activities of the consolidated entity are described in the attached Directors' Report.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below and have been applied consistently to all periods presented in the consolidated financial statements and by all entities in the consolidated entity.

NOTE 2: STATEMENT OF COMPLIANCE

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial statements of Musgrave Minerals Limited also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

New and amended accounting standards and interpretations adopted by the Group

The following standards relevant to the operations of the Group and effective from 1 July 2018 have been adopted.

- AASB 9: *Financial Instruments*;
- AASB 15: *Revenue from Contracts with Customers*; and
- AASB 2016-5: *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group. Details of each standards' impact, and the new accounting policies adopted are set out below.

Impact of adoption of AASB 9: Financial Instruments ("AASB 9")

AASB 9 replaces the provisions of AASB 139: *Financial Instruments: Measurement and Recognition*, that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 resulted in minimal changes in accounting policies. The new accounting policies are set out in Notes 7 and 9. There was no significant impact on the financial performance or position of the Group on the date of initial application, 1 July 2018, or at the reporting date, 30 June 2019. Details are below.

Classification and measurement of financial assets

On the date of initial application, 1 July 2018, the financial instruments of the Group were as follows, with any reclassifications noted.

	Measurement category		Carrying amount		
	Original (AASB 139)	New (AASB 9)	Original $	New $	Difference $
Current financial assets					
Trade and other receivables	Amortised cost	Amortised cost	114,650	114,650	-
Derivative financial instruments	Fair value through profit or loss ("FVPL")	Fair value through profit or loss ("FVPL")	455,000	455,000	-
Non-current financial assets					
Listed equities	Available-for-sale	Fair value through other comprehensive income ("FVOCI")	610,000	610,000	-

The Group elected to present in other comprehensive income changes in the fair value of all its listed equities previously classified as available-for-sale. As a result, listed equities with a fair value of $610,000 were reclassified from available-for-sale recognised under non-current available-for-sale financial assets to financial assets at FVOCI on 1 July 2018.

Impairment of trade and other receivables

Prior to the adoption of AASB 9, in accordance with AASB 139 *Financial Instruments: Measurement and Recognition*, the Group applied an incurred credit loss model. Upon adoption of AASB 9, the Group has elected to apply the simplified approach to measuring expected credit losses, which uses the lifetime expected loss allowance for all trade and other receivables.

Due to the nature of the Group's trade and other receivables, there was no impact of the expected loss allowance under AASB 9 against the loss incurred under AASB 139 to the Group.

Impact of adoption of AASB 15: Revenue from Contracts with Customers ("AASB 15")

AASB 15 replaces AASB 118 *Revenue*. AASB 15 provides a single, principles based five step model to be applied to all contracts with customers.

The adoption of AASB 15 resulted in minimal changes in accounting policies. The new accounting policies are set out in Note 3. There was no impact on the financial performance or position of the Group on the date of initial application, 1 July 2018, or at reporting date, 30 June 2019.

New accounting standards and interpretations

The following new and amended accounting standards and interpretations relevant to the operations of the Group have been published but are not mandatory for the current financial year. The Group has decided against early adoption of these standards and has not yet determined the potential impact on the financial statements from the adoption of these standards and interpretations.

The key new standards which may impact the Group in future years are detailed below:

New or revised requirement	Application date of standard	Application date for Group
AASB 16: *Leases* This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is expected to have an impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.	1 Jan 2019	1 Jul 2019

a) Basis of measurement

Historical cost convention

These consolidated financial statements have been prepared under the historical cost convention, except where stated.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed where appropriate.

b) Going concern

These consolidated financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

c) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of the Company's subsidiary at 30 June 2019 and the results of its subsidiary for the year then ended. The Company and its subsidiary together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The acquisition method of accounting is used to account for business combinations by the Group.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Statement of Profit or Loss and Other Comprehensive Income, consolidated statement of financial position and the consolidated statement of changes in equity respectively.

d) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

e) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Group’s functional and presentational currency.

f) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset’s useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

NOTE 3: REVENUE AND EXPENSES

a) Revenue and other income

	CONSOLIDATED	
	2019 $	2018 $
Revenue from continuing operations		
Interest revenue	108,996	66,077
Other Income		
Option fee and shares - Cyprium Metals Limited (i)	260,000	-
Other	-	15,493
	260,000	15,493
Total revenue and other income	368,996	81,570

i) In February 2019, the Company executed a Binding Term Sheet with Cyprium Australia Pty Ltd ("Cyprium") regarding an option, earn-in and joint venture on the non-gold rights over the northern tenements at the Cue Project in Western Australia's Murchison region. Cyprium made an initial payment of $10,000 for an exclusive 90-day option period and on 31 May 2019 exercised the option to earn an 80% interest by the payment to the Company of $250,000 worth of shares in ARC Exploration Limited (subsequently renamed Cyprium Metals Limited ASX:CYM).

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for transferring services to a customer. Revenue and expenses are recognised on an accruals basis.

Interest income is recognised on a time proportion basis using the effective interest method.

b) Employee benefits expense

	CONSOLIDATED	
	2019 $	2018 $
Wages, salaries, directors' fees and other remuneration expenses	1,382,360	993,426
Superannuation contributions	125,149	88,848
Transfer to/(from) annual leave provision	(10,290)	5,025
Transfer to/(from) long service leave provision	18,300	14,694
Share-based payments expense (Note 23)	533,673	239,558
Transfer to capitalised exploration expenditure	(1,373,158)	(970,891)
Total employee benefits expense	676,034	370,660

c) Other expenses

	CONSOLIDATED	
	2019 $	2018 $
Secretarial, professional and consultancy costs	113,335	116,685
Occupancy costs	97,831	48,912
Share register maintenance	18,030	15,489
ASX / ASIC	50,789	38,596
Promotion, advertising and sponsorship	56,843	73,104
Employer related on-costs	53,748	25,820
Other expenses	177,356	147,688
Transfer to capitalised exploration expenditure	(232,266)	(75,971)
Total other expenses	335,666	390,323

NOTE 4: SEGMENT INFORMATION

The Group operates in one geographical segment, being Australia and in one operating category, being mineral exploration. Therefore, information reported to the chief operating decision maker (the Board of Musgrave Minerals Limited) for the purposes of resource allocation and performance assessment is focused on mineral exploration within Australia. The Board has considered the requirements of AASB 8: *Operating Segments* and the internal reports that are reviewed by the chief operation decision maker in allocating resources and have concluded at this time that there are no separately identifiable segments.

NOTE 5: INCOME TAX

	CONSOLIDATED	
	2019 $	2018 $
Statement of Profit or Loss and Other Comprehensive Income		
Current income tax:		
- Current income tax benefit at a rate of 27.5% (2018: 27.5%)	-	-
- R&D tax concession	-	(126,126)
Deferred income tax:		
- Relating to origination and reversal of temporary differences	(1,336,722)	(1,278,715)
- Deferred tax liability offset by deferred tax asset losses	1,746,832	1,221,996
- Temporary difference not recognised in the current period	(410,110)	56,719
Income tax expense/(benefit) reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	-	(126,126)
A reconciliation of income tax expense/(benefit) applicable to accounting profit/(loss) before income tax at the statutory income tax rate to income tax expense/(benefit) at the Company's effective income tax is as follows:		
Accounting loss from continuing operations before income tax	(1,329,040)	(315,601)
At the statutory income tax rate of 27.5% (2018: 27.5%)	(365,486)	(86,790)
Add:		
- Immediate write-off of capital expenditure	(1,631,367)	(1,038,184)
- Expenditures not allowable / income assessable	390,477	125,436
- Other deductible items	(140,456)	(222,458)
- Tax losses not recognised due to not meeting recognition criteria	1,746,832	1,221,996
	-	-

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTE 5: INCOME TAX (Continued)

	CONSOLIDATED	
	2019 $	2018 $
Deferred income tax		
Recognised on the Statement of Financial Position, deferred income tax at the end of the reporting period relates to the following: (2019: 27.5%, 2018: 27.5%)		
Deferred income tax liabilities:		
- Capitalised expenditure deductible for tax purposes	4,001,553	2,433,147
- Trade and other receivables	13,750	12,691
- Derivative financial instruments	24,750	113,850
- Available for sale financial instruments	36,400	133,867
	4,076,453	2,693,555
Deferred income tax assets:		
- Trade and other payables	(4,895)	(7,013)
- Employee benefits	(32,164)	(29,961)
- Capital raising costs	(155,445)	(108,861)
- Provisions	-	(493)
- Tax losses available to offset DTL	(3,883,949)	(2,547,227)
Net deferred tax asset/(liability)	-	-

The Company and its 100% owned controlled entity have formed a tax consolidated group. The head entity of the tax consolidated group is Musgrave Minerals Limited. The tax consolidated group has potential revenue tax losses of $30,775,748 (2018: $24,423,633).

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise benefits.

The utilisation of tax losses is dependent on the Group satisfying the continuity of ownership test or the same business test at the time the tax losses are applied against taxable income.

NOTE 6: CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2019 $	2018 $
Cash at bank and on hand	417,407	353,797
Short-term deposits	3,126,325	4,876,325
	3,543,732	5,230,122

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with maturities of three months or less.

The weighted average interest rate for the year was 2.18% (2018: 2.05%).

The Group's exposure to interest rate risk is set out in Note 22. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTE 7: TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2019 $	2018 $
Current		
GST receivable	65,989	86,329
Other	67,769	28,321
	133,758	114,650

Trade and other receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Trade and other receivables are recognised at amortised cost using the effective interest rate method, less any allowance for expected credit losses.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. For trade and other receivables, the Group applies the simplified approach permitted by AASB 9 to determine any allowances for expected credit losses, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience. The amounts held in trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these trade and other receivables, it is expected that the amounts will be received when due.

The Group's financial risk management objectives and policies are set out in Note 22.

Due to the short-term nature of these receivables their carrying value is assumed to approximate their fair value.

NOTE 8: OTHER CURRENT ASSETS

	CONSOLIDATED	
	2019 $	2018 $
Accrued interest	21,211	14,611
	21,211	14,611

NOTE 9: FINANCIAL ASSETS

a) Derivative financial instruments

	CONSOLIDATED	
	2019 $	2018 $
Current		
Opening balance	455,000	37,000
Change in fair value	(324,000)	418,000
Closing balance	131,000	455,000

b) Financial assets at fair value through other comprehensive income

	CONSOLIDATED	
	2019 $	2018 $
Non-Current		
Opening balance	610,000	140,000
Acquisition (Note 3(a))	250,000	-
Change in fair value	(354,425)	470,000
Closing balance	505,575	610,000

Financial assets are recognised and derecognised on settlement date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time-frame established by the market concerned. They are initially measured at fair value, net of transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Group classifies its financial assets as either financial assets at fair value though profit or loss ("FVPL"), fair value though other comprehensive income ("FVOCI") or at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For investments in equity instruments, the classification depends on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVPL or FVOCI.

NOTE 9: FINANCIAL ASSETS (Continued)

Financial assets at FVPL

For assets measured at FVPL, gains and losses will be recorded in profit or loss. The Group's derivative financial instruments are recognised at FVPL. Assets in this category are subsequently measured at fair value. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. Refer to Note 22 for additional details.

Financial assets at OCI

For assets measured at FVOCI, gains and losses will be recorded in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. The Group has elected to measure its listed equities at FVOCI.

Assets in this category are subsequently measured at fair value. The fair values of quoted investments are based on current bid prices in an active market. Refer to Note 22 for additional details.

NOTE 10: EXPLORATION AND EVALUATION

	CONSOLIDATED	
	2019 $	2018 $
Opening balance	10,256,138	5,022,031
Exploration expenditure incurred during the year	5,932,245	3,775,215
Acquisition of remaining Cue joint venture interest (i)	-	1,500,000
Mainland option fee (ii)	125,000	-
Impairment expense (iii)	(336,589)	(41,108)
Closing balance	15,976,794	10,256,138

i) In August 2017, the Company completed the acquisition of Silver Lake Resources Limited's remaining interest in the Cue Project JV by exercising its pre-emptive right. The consideration for the JV interest was $1.5 million in cash.
ii) In March 2019 the Company entered into an Option Agreement ("Agreement") to acquire the non-alluvial gold rights to the Mainland Project for an initial payment of $125,000.
iii) The impairment expense for the year relates primarily to the write down of capitalised exploration expenditure for the Company's Corunna Project.

Exploration and evaluation expenditure, including the costs of acquiring licences and permits, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

NOTE 10: EXPLORATION AND EVALUATION (Continued)

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

a) the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or

b) activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of minerals in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mineral property and development assets within property, plant and equipment.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

Significant estimate and judgement

There is some subjectivity involved in the carry forward of capitalised exploration and evaluation expenditure or, where appropriate, the write off to the Statement of Profit or Loss and Other Comprehensive Income, however management give due consideration to areas of interest on a regular basis and are confident that decisions to either write off or carry forward such expenditure fairly reflect the prevailing situation.

NOTE 11: SUBSIDIARIES

Details of the Company's subsidiary are as follows:

Subsidiary	Principal activity	Country of incorporation	Proportion of ownership	
			2019	2018
Musgrave Exploration Pty Ltd	Exploration	Australia	100%	100%

NOTE 12: TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2019 $	2018 $
Trade creditors	63,508	455,422
Other payables	114,106	75,447
	177,614	530,869

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Trade creditors are unsecured, non-interest bearing and are normally settled on 30-day terms. The Group's financial risk management objectives and policies are set out in Note 22. Due to the short-term nature of these payables their carrying value is assumed to approximate their fair value.

NOTE 13: PROVISIONS

	CONSOLIDATED	
	2019 $	2018 $
Short-term		
Annual leave	36,240	46,530
Long service leave	80,720	62,420
	116,960	108,950

Short–term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

The obligations are presented as current liabilities in the Statement of Financial Position of the Group.

Other long-term obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised as a non-current provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period.

NOTE 14: CONTRIBUTED EQUITY

a) Share capital

	CONSOLIDATED	
	2019 $	2018 $
Ordinary shares fully paid	44,592,770	39,436,729

b) Movements in ordinary shares on issue

	CONSOLIDATED	
	Number	$
Balance at 1 July 2017	220,045,782	32,646,322
Placement – 17 October 2017	46,000,000	2,852,000
Share Purchase Plan – 31 October 2016	12,338,675	765,000
Shares issued in lieu of services – 14 December 2017	215,000	15,050
Exercise of options – 29 December 2017	400,000	18,000
Placement – 28 May 2018	48,000,000	3,360,000
Share issue costs	-	(219,643)
Balance at 30 June 2018	326,999,457	39,436,729
Placement – 19 December 2018	59,782,609	5,500,000
Share issue costs	-	(343,959)
Balance at 30 June 2019	386,782,066	44,592,770

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

c) Movements in options on issue

	CONSOLIDATED	
	2019 Number	2018 Number
Balance at beginning of the financial year	9,900,000	5,375,000
Options granted	10,550,000	5,500,000
Options exercised	-	(400,000)
Options expired/lapsed	(650,000)	(575,000)
Balance at end of the financial year	19,800,000	9,900,000

NOTE 15: RESERVES

	CONSOLIDATED	
	2019 $	2018 $
Share option reserve		
Opening balance	484,487	303,494
Issue of director and employee options (Note 23)	533,673	239,558
Exercise of employee options	-	(36,938)
Expiry of options	(21,872)	(21,627)
Balance at the end of the financial year	996,288	484,487

The options reserve is used to recognise the fair value of options issued to Directors, employees and contractors.

	CONSOLIDATED	
	2019 $	2018 $
Financial asset reserve		
Opening balance	486,789	16,789
Financial assets at fair value through other comprehensive income (Note 9(b))	(354,425)	470,000
Balance at the end of the financial year	132,364	486,789
Total Reserves	1,128,652	971,276

The financial asset reserve is used to recognise the fair value movement on financial assets at fair value through other comprehensive income.

NOTE 16: ACCUMULATED LOSSES

	CONSOLIDATED	
	2019 $	2018 $
Balance at the beginning of the financial year	(24,321,810)	(24,190,900)
Net loss attributable to members	(1,329,040)	(189,475)
Transfer from share option reserve	21,872	58,565
Balance at the end of the financial year	(25,628,978)	(24,321,810)

NOTE 17: EARNINGS PER SHARE

	2019 Cents	2018 Cents
Basic loss per share	0.37	0.07
Diluted loss per share	0.37	0.07

The following reflects the income and share data used in the calculations of basic and diluted loss per share:

	2019 $	2018 $
Profits/(losses) used in calculating basic and diluted earnings per share	(1,329,040)	(189,475)

	2019 Number	2018 Number
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	358,610,535	265,146,411

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTE 18: AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2019 $	2018 $
Audit services		
BDO Audit (WA) Pty Ltd		
- Audit of the financial reports	15,000	-
Grant Thornton Audit Pty Ltd		
- Audit and review of the financial reports	11,670	32,300
Total remuneration	26,670	32,300

NOTE 19: CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities

The Group had contingent liabilities in respect of:

Future royalty payments

Musgrave holds a 100% interest in the key tenure at Cue including the Break of Day and Lena deposits and other prospects. Some of the Cue tenements are subject to third party royalty payments on future gold production including the mining licence hosting the Break of Day and Lena gold deposits.

Future consideration and royalty payments

In March 2019, the Company entered into an Option Agreement ("Agreement") to acquire the non-alluvial gold rights to the Mainland Project which is located within the boundaries of the Company's Cue Gold Project. Musgrave paid $125,000 to execute the option to acquire 100% interest in the tenements (excluding the vendors' interest in alluvial gold). A further $100,000 is due within 18 months and an additional $300,000 is to be paid as milestone payments in Musgrave shares or cash (at the Company's discretion) before the fourth anniversary of the Agreement. The vendor will be entitled to a 1% gross royalty on any gold produced by the Company from the tenements (excluding any alluvial gold).

Contingent assets

The Group had contingent assets in respect of:

Future royalty payments

In January 2014, the Group entered into a Mining Farm-in and Joint Venture Agreement ("Agreement") with Menninnie Metals Pty Ltd. In August 2015, the parties agreed to terminate the Agreement ("Termination Agreement"). As part of the Termination Agreement the Group retains a 1% Net Smelter Return Royalty on all ores, concentrates or other primary, intermediate or final product of any minerals produced from two of the tenements.

Deferred consideration

In May 2019, Cyprium Australia Pty Ltd ("Cyprium") exercised an option to earn an 80% interest in the non-gold rights over the northern tenements ("Tenements") of the Company's Cue Project. Cyprium is required to spend $2 million on exploration within two years to acquire the 80% interest upon which the Company will retain 20% and be free carried to a definitive feasibility study. Should Cyprium delineate 80,000 tonnes of contained copper over the Tenements, $200,000 in cash or the equivalent value of Cyprium shares (at Cyprium's election) will be due to the Company. Upon a Decision to Mine, $300,000 in cash or the equivalent value of Cyprium shares (at Cyprium's election) will be due to the Company.

There are no other material contingent assets or liabilities as at 30 June 2019.

NOTE 20: EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 17 September 2019 Musgrave announced that it had entered into an Earn-In and Joint Venture Exploration Agreement with Evolution Mining Limited over a select area of Lake Austin and surrounds (JV Area) of the Cue Project in the Murchison District of Western Australia. The JV Area excludes all the known resources including Lena and Break of Day and the Mainland option area. Evolution can earn a 75% interest in the JV Area by sole funding A$18 million on exploration over a five year term with a minimum commitment of A$4 million in the first two years. Musgrave will manage the JV during the initial period. As part of the Agreement, Evolution has agreed to subscribe for 18,587,361 ordinary shares in Musgrave through a share placement ("Placement") at a price of $0.0807 per share. The placement was set at the 30-day VWAP for Musgrave shares and represents a holding of 4.59% (undiluted) in the Company.

There have been no other events subsequent to reporting date which are sufficiently material to warrant disclosure.

NOTE 21: COMMITMENTS

In order to maintain an interest in the exploration tenements in which the Group is involved, the Group is committed to meeting the conditions under which the tenements were granted. The timing and amount of exploration expenditure commitments and obligations of the Group are subject to the minimum expenditure commitments required as per the *Mining Act 1978* (Western Australia) and the *Mining Act 1971* (South Australia), and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest. Currently, the minimum expenditure commitments for the granted tenements is $992,300 (2018: $901,940) per annum. Of this amount $488,000 will be met by the Group's joint venture partners as part of their earn-in obligations.

Commitments in relation to the lease of office premises are payable as follows:

	CONSOLIDATED	
	2019 $	2018 $
Within one year	64,736	62,547
Later than one year but not later than five years	38,523	103,259
Later than five years	-	-
	103,259	165,806

NOTE 22: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management

Overview

The Group has exposure to the following risks from their use of financial instruments:

- Interest rate risk
- Credit risk
- Foreign currency risk
- Commodity risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

NOTE 22: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The Group's principal financial instruments are tabled below.

	CONSOLIDATED	
	2019 $	2018 $
Financial assets		
Current		
Cash and cash equivalents	3,543,732	5,230,122
Trade and other receivables	133,758	114,650
Derivative financial instruments	131,000	455,000
	3,808,490	5,799,772
Non-Current		
Financial assets at fair value through other comprehensive income ("FVOCI")	505,575	610,000
	505,575	610,000
Financial liabilities		
Current		
Trade and other payables	177,614	530,869
	177,614	530,869

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the Group uses.

Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances.

NOTE 22: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The following table set out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

	Floating interest rate $	Fixed interest rate maturing in 1 year or less $	Fixed interest rate maturing in Over 1 to 5 years $	Fixed interest rate maturing in More than 5 years $	Non-interest bearing $	Total $
Consolidated – 2019						
Financial assets						
Cash and cash equivalents	417,107	3,126,325	-	-	300	3,543,732
Trade and other receivables	-	-	-	-	133,758	133,758
	417,107	3,126,325	-	-	134,058	3,677,490
Weighted average interest rate	1.25%	2.32%	N/A	N/A	N/A	N/A
Financial liabilities						
Trade and other payables	-	-	-	-	177,614	177,614
	-	-	-	-	177,614	177,614
Weighted average interest rate	N/A	N/A	N/A	N/A	N/A	N/A
Consolidated – 2018						
Financial assets						
Cash and cash equivalents	353,497	4,876,325	-	-	300	5,230,122
Trade and other receivables	-	-	-	-	114,650	114,650
	353,497	4,876,325	-	-	114,950	5,344,772
Weighted average interest rate	1.32%	2.36%	-	-	-	-
Financial liabilities						
Trade and other payables	-	-	-	-	530,869	530,869
	-	-	-	-	530,869	530,869
Weighted average interest rate	-	-	-	-	-	-

Sensitivity analysis for interest rate exposure

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below:

	2019 $	2018 $
Impact on profit/(loss) and equity		
Increase of 100 basis points	50,055	32,186
Decrease of 100 basis points	(50,055)	(32,186)

NOTE 22: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. The Group trades only with recognised, creditworthy third parties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure to credit risk is the carrying value of the receivable, net of any provision for expected credit loss.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. This risk is minimised by reviewing term deposit accounts from time to time with approved banks of a sufficient credit rating which is -AA and above.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk is tabled below.

	CONSOLIDATED	
	2019 $	2018 $
Cash and cash equivalents	3,543,732	5,230,122
Trade and other receivables	133,758	114,650
	3,677,490	5,344,772

Foreign currency risk

The Group's exposure to foreign currency risk is minimal at this stage of its operations.

Commodity price risk

The Group's exposure to commodity price risk is minimal at this stage of its operations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

NOTE 22: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The Group's objective is to maintain a balance between continuity of funding and flexibility. The following are the contractual maturities of financial liabilities:

	Less than 6 months $	Total Contractual cash flows $	Carrying amount $
Consolidated – 2019			
Trade and other payables	177,614	177,614	177,614
	177,614	177,614	177,614
Consolidated – 2018			
Trade and other payables	530,869	530,869	530,869
	530,869	530,869	530,869

Market risk

Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the Statement of Financial Position as either derivative financial instruments, or financial assets at FVOCI.

Sensitivity analysis for price risk

A change of 10% in the price of securities held at reporting date on the Group's equity and/or profit or loss by is shown below:

	2019 $	2018 $
Impact on profit/(loss) and equity		
Increase of 10%	63,657	106,500
Decrease of 10%	(63,657)	(106,500)

Fair value of financial assets and liabilities

The fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of the Group is equal to their carrying value.

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the Consolidated Statement of Financial Position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

NOTE 22: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2019 and 30 June 2018:

	Level 1 $	Level 2 $	Level 3 $	Total $
30 June 2019				
Derivative financial instruments	-	131,000	-	131,000
Financial assets at FVOCI	505,575	-	-	505,575
	505,575	131,000	-	636,575
30 June 2018				
Derivative financial instruments	-	455,000	-	455,000
Financial assets at FVOCI	610,000	-	-	610,000
	610,000	455,000	-	1,065,000

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The management of the Group's capital is performed by the Board.

The capital structure of the Group consists of net debt (trade and other payables and provisions detailed in Notes 12 and 13 offset by cash and bank balances) and equity of the Group (comprising contributed equity and reserves, offset by accumulated losses detailed in Notes 14, 15 and 16).

The Group is not subject to any externally imposed capital requirements. None of the Group's entities are subject to externally imposed capital requirements.

NOTE 23: SHARE-BASED PAYMENTS

Employee Share Option Plan

The Group has an Employee Share Option Plan ("ESOP") for executives and employees of the Group. In accordance with the provisions of the ESOP, as approved by shareholders at a previous Annual General Meeting, executives and employees may be granted options at the discretion of the Directors.

Each share option converts into one ordinary share of Musgrave Minerals Limited on exercise. No amounts are paid or are payable by the recipient on receipt of the option. The options carry neither rights of dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Options issued to Directors are subject to approval by shareholders.

NOTE 23: SHARE-BASED PAYMENTS (Continued)

The following share-based payment arrangements were in existence during the reporting period:

Option series	Number	Issue date	Expiry date	Vesting date	Exercise price	Fair value at grant date
H (1)	300,000	11 Mar 2014	10 Mar 2019	Immediate	$0.12	$0.0522
J (1)	250,000	16 Sep 2015	10 Mar 2019	Immediate	$0.120	$0.0046
M	500,000	22 Apr 2016	22 Apr 2021	Immediate	$0.045	$0.0194
O	2,550,000	4 Nov 2016	3 Nov 2019	Immediate	$0.167	$0.0659
P	800,000	4 Nov 2016	3 Nov 2021	Immediate	$0.195	$0.0628
Q	3,250,000	29 Nov 2017	29 Nov 2020	Immediate	$0.097	$0.0436
R	2,250,000	29 Nov 2017	29 Nov 2020	Immediate	$0.097	$0.0436
S	7,500,000	21 Nov 2018	16 Nov 2021	Immediate	$0.1275	$0.0506
T (2)	3,050,000	30 Nov 2018	16 Nov 2021	Immediate	$0.1275	$0.0506

(1) These options expired during the financial year.
(2) During the financial year 100,000 of these options lapsed under the terms of the Company's ESOP.

Fair value of share options granted during the year

The fair value of share options at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk-free rate for the term of the option. The fair value of share options issued during the year was $533,673 of which $328,803 relate to key management personnel (2018: $239,558 and $141,570 respectively).

The model inputs for options granted during the year ended 30 June 2019 are as follows:

Inputs	Issue S	Issue T
Number	7,500,000	3,050,000
Exercise price	$0.1275	$0.1275
Issue date	21 Nov 2018	30 Nov 2018
Expiry date	16 Nov 2021	16 Nov 2021
Share price at grant date	$0.090	$0.092
Expected price volatility	101%	101%
Risk-free interest rate	2.16%	2.16%
Expected dividend yield	0%	0%

NOTE 23: SHARE-BASED PAYMENTS (Continued)

Movements in share options during the year

Movement in the number of share options held by Directors, employees and consultants:

	2019		2018	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding at the beginning of the year	9,900,000	0.122	5,375,000	0.155
Granted and vested during the year	10,550,000	0.128	5,500,000	0.097
Exercised during the year	-	-	(400,000)	0.045
Expired/lapsed during the year	(650,000)	0.121	(575,000)	0.250
Outstanding at the end of the year	19,800,000	0.125	9,900,000	0.122
Exercisable at the end of the year	19,800,000	0.125	9,900,000	0.122

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.84 years (2018: 2.14 years).

Share options outstanding at the end of the year

Share options issued and outstanding at the end of the year have the following exercise prices:

Expiry date	Exercise price $	2019 Number	2018 Number
10 March 2019	0.12	-	550,000
22 April 2021	0.045	500,000	500,000
3 November 2019	0.1671	2,550,000	2,550,000
3 November 2021	0.195	800,000	800,000
16 November 2021	0.097	5,500,000	5,500,000
16 November 2021	0.1275	10,450,000	-
Totals		19,800,000	9,900,000

Significant estimates and judgement

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model.

NOTE 24: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2019 $	2018 $
Cash flows from operating activities		
Loss for the period	(1,329,040)	(189,475)
Non-cash flows in profit/(loss):		
- Other income – Cyprium shares (Note 3)	(250,000)	-
- Depreciation	25,747	13,080
- Impairment expense	336,589	41,108
- Share based remuneration	533,673	239,558
- Change in fair value of derivative financial instruments	324,000	(418,000)
- Research and development tax concession	-	236,366
Changes in assets and liabilities		
- Decrease/(Increase) in trade and other receivables	(7,251)	(30,070)
- Decrease/(Increase) in other current assets	(6,600)	(4,304)
- Increase/(Decrease) in trade and other payables	(276,613)	(23,288)
- Increase/(Decrease) in employee entitlements	8,010	19,719
Net cash used in operating activities	(641,485)	(115,306)

Non-cash investing and financing activities

There were no non-cash investing and financing activities during the year.

NOTE 25: RELATED PARTY DISCLOSURE

a) Parent entity

	Class	Country of incorporation	Investment at cost 2019 $	Investment at cost 2018 $
Musgrave Minerals Limited	Ordinary	Australia	-	-

b) Subsidiaries

	Class	Country of incorporation	Investment at cost 2019 $	Investment at cost 2018 $
Musgrave Exploration Pty Ltd	Ordinary	Australia	100	100

c) Key management personnel compensation

	2019 $	2018 $
Short-term employee benefits	430,433	423,716
Post-employment benefits	39,886	34,078
Bonus payments	54,415	-
Share-based payments	328,803	141,570
	853,537	599,364

Detailed remuneration disclosures are provided in the Remuneration Report.

NOTE 26: PARENT ENTITY DISCLOSURE

	2019 $	2018 $
Financial Performance		
Profit/(loss) for the year	(1,329,040)	(189,475)
Other comprehensive income	(354,425)	470,000
Total comprehensive profit/(loss)	(1,683,465)	280,525
Financial Position		
ASSETS		
Current assets	3,829,701	5,814,383
Non-current assets	16,557,317	10,911,631
TOTAL ASSETS	20,387,018	16,726,014
LIABILITIES		
Current liabilities	294,574	639,819
TOTAL LIABILITIES	294,574	639,819
NET ASSETS	20,092,444	16,086,195
EQUITY		
Contributed equity	44,592,770	39,436,729
Reserves	1,128,652	971,276
Accumulated losses	(25,628,978)	(24,321,810)
TOTAL EQUITY	20,092,444	16,086,195

No guarantees have been entered into by Musgrave Minerals Limited in relation to the debts of its subsidiary.

Musgrave Minerals Limited had no expenditure commitments as at 30 June 2019 other than the commitment in relation to the lease of office premises as disclosed in Note 21.

DIRECTORS' DECLARATION

The Directors of Musgrave Minerals Limited declare that:

1) in the Directors' opinion, the financial statements and notes set out on pages 22 to 54 and the Remuneration Report in the Director's Report are in accordance with the *Corporations Act 2001*, including:

   a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance, for the financial year ended on that date; and

   b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), *Corporations Regulations 2001* and mandatory professional reporting requirements.

2) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2; and

3) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Managing Director and Chief Financial Officer for the financial year ended 30 June 2019.

Signed in accordance with a resolution of the Directors.

Mr Graham Ascough
Chairman

Perth, Western Australia

19 September 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of Musgrave Minerals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Musgrave Minerals Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of exploration and evaluation expenditure

Key audit matter	How the matter was addressed in our audit
As disclosed in Note 10 to the Financial Report, the carrying value of capitalised exploration and evaluation expenditure represents a significant asset of the Group. Refer to Note 10 of the Financial Report for a description of the accounting policy and significant judgements applied to capitalised exploration and evaluation expenditure. In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources (AASB 6), the recoverability of exploration and evaluation expenditure requires significant judgment by management in determining whether there are any facts or circumstances that exist to suggest that the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.	Our procedures included, but were not limited to: • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and directors' minutes; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 10 to the Financial Report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter

The financial report of Musgrave Minerals Limited, for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that report on 19 September 2018.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 18 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Musgrave Minerals Limited, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Glyn O'Brien

Director

Perth, 19 September 2019