



HALF-YEAR FINANCIAL REPORT

31 December 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

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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AUDITOR

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008

SHARE REGISTRY

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

STOCK EXCHANGE LISTING

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

Home Exchange: Perth, Western Australia
ASX Code: MGV

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Musgrave Minerals Ltd ("Musgrave" or "the Company") and the entities it controlled ("the Group") at the end of, or during, the half-year ended 31 December 2019.

DIRECTORS

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

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

OPERATING RESULT

The Group's profit for the half-year ended 31 December 2019 after providing for income tax amounted to \$153,868 (2018: loss of \$1,073,209).

PRINCIPAL ACTIVITIES

The principal activities of the Company during the period were to:

- carry out exploration of mineral tenements, both on a joint venture basis and by the Company in its own right;
- continue to progress exploration licence applications to grant;
- continue to seek extensions of areas held and to seek out new areas with mineral potential;
- evaluate new opportunities for joint venture or acquisition;
- evaluate results received through surface sampling, geophysical surveys and drilling carried out during the period; and
- undertake development studies to evaluate options to optimise cash flow and maximise shareholder returns.

REVIEW OF OPERATIONS

Musgrave Minerals Limited is an active Australian gold explorer. The Cue Project in the Murchison region of Western Australia is the Company's focus and hosts significant gold and copper mineralisation including the high-grade Break of Day and recently updated Lena resource. Musgrave has had significant exploration success at Cue with gold discoveries at Break of Day and Lake Austin North and with new high-grade intersects at Mainland-Consols and the new Break of Day link-lode. The Company's ongoing focus is increasing the gold resources through discovery and extensional drilling to underpin studies that will demonstrate a viable path to near term development.

In September 2019 Musgrave entered into an Earn-In and Joint Venture Exploration Agreement with Evolution Mining Limited over a select area of Lake Austin and surrounds (Evolution JV) on the Cue Project. The Evolution JV excludes all the known resources including Lena and Break of Day and the Mainland option area.

Musgrave also holds a large exploration tenement package in the Ni-Cu-Co prospective Musgrave Province of South Australia.

Cue Project

At the Cue Project, the total project gold resources (Indicated and Inferred) have increased to 6.45Mt @ 3.0g/t Au for 613koz Au following a Mineral Resource update for the Lena deposit announced in February 2020 (see *MGV ASX announcement 17 February 2020, "Lena Resource Update"*). The Lena Mineral Resource has increased to 4.3Mt @ 2.3g/t Au for 325koz contained gold and delivers a:

- 112% increase (172,000 ounces gold) in total contained ounces, up from the previous July 2017 Mineral Resource;
- 72% increase in Indicated Resources to 121,000 ounces gold; and
- 28% increase in gold grade to 2.3g/t Au.

The Lena resource update incorporates the results of highly successful reverse circulation ("RC") and diamond drilling programs completed over the past six months. The Lena deposit remains open down dip and there is scope to further grow the resource.

Other recent exploration on the Company's wholly owned tenure at Cue has included drilling at Break of Day and Mainland. At Break of Day the Company has intersected high-grade gold south of the existing resource on the Twilight Lode with significant intercepts including:

- 6m @ 81.7g/t Au (20MORC001)
- 3m @ 13.9g/t Au (19MORC017); and
- 2m @ 9.0g/t Au (19MORC015) (see *MGV ASX announcement dated 3 September 2019, 9 October 2019 and 28 February 2020*).

At Break of Day the Company intersected a new 'link-lode' structure striking perpendicular to the dominant orientation of the mineralisation within the boundaries of existing resource and parallel to previous drilling. Note that the new intercepts have not been included in the existing resource for Break of Day. 19MORC037 intersected:

- 45m @ 11.8g/t Au including;
- 11m @ 14.0g/t Au; and
- 23m @ 16.2g/t Au (see *MGV ASX announcement 3 December 2019, "New high-grade link-lode intersected at Break of Day, Cue Project"*).

Follow-up RC drilling to define the extents, dip and true width of this high-grade link-lode intersected 6m @ 51.7g/t Au from 22m (20MORC001) with further assay results expected in late March 2020 (See *MGV ASX release 28 February 2020, "High-Grade gold intersected Link-lode, Break of Day"*).

At Mainland the Company has intersected high-grade gold at the Consols prospect. Significant intersections include;

- 2m @ 55.4g/t Au (19MORC020); and
- 3m @ 38.2g/t Au (19MORC018) (see *MGV ASX announcement dated 27 November 2019 and 13 January 2020*).

The mineralisation at Mainland-Consols is open along strike and down dip and follow-up drilling has commenced to further test the extents of the mineralisation. Results are expected in late March 2020.

On Lake Austin, under the Evolution JV, four diamond holes have been completed for 1,504m, testing below four separate aircore regolith (weathered rock) gold anomalies. Assays are pending.

A large regional aircore drill program commenced on the joint venture in early February. The aircore program will better define the geological stratigraphy below the lake sediments and identify regolith geochemical gold and pathfinder dispersion halos for future basement drill testing.

In May 2019, Cyprium Australia Pty Ltd ("Cyprium" or "CYM") exercised an option to acquire the non-gold rights over the northern base metal tenements at the Cue Project, including the Hollandaire deposit. Cyprium can earn an 80% interest in the non-gold rights by spending \$2 million in two years. Musgrave is free carried to completion of a definitive feasibility study with respect to non-gold rights and retains 100% of the gold rights.

Cyprium completed extensional and infill drilling at Hollandaire during the quarter with extensional drilling at Hollandaire intersecting 18m @ 1.97% Cu from 295m (19HORC029) including; 12m @ 2.74% Cu, 0.61g/t Au and 6.75g/t Ag from 295m (see CYM ASX release 20 January 2020, "Significant High-Grade Extension Intersected at Hollandaire").

Corporate

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 of the Cue Project in the Murchison District of Western Australia. The Evolution JV excludes all the known resources at Cue (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 is manager of the JV during the initial period. As part of the Agreement, Evolution subscribed for 18,587,361 ordinary shares in Musgrave through a share placement ("Placement") at a price of \$0.0807 per share. The placement price was set at the 30-day VWAP for Musgrave shares and represents a holding of 4.59% (undiluted) in the Company.

The Company holds 10 million shares in Legend Mining Limited ("Legend") along with 10 million options to acquire ordinary shares that have an exercise price of \$0.04/option and an expiry of 30 March 2021. The Company also holds 1,308,750 ordinary shares in Cyprium Metals Ltd. These shares are escrowed until June 11 2020.

Mineral Resources

Gold Mineral Resources

Deposit	Indicated Resources			Inferred Resources			Total Resources		
	Tonnes '000s	Au Grade g/t	Total oz. Au '000s	Tonnes '000s	Au Grade g/t	Total oz. Au '000s	Tonnes '000s	Au Grade g/t	Total oz. Au '000s
Moyagee									
Break of Day	445	7.7	111	423	6.5	89	868	7.2	199
Lena	2,253	1.7	121	2,053	3.1	204	4,305	2.3	325
Leviticus				42	6.0	8	42	6.0	8
Numbers				278	2.5	22	278	2.5	22
Total Moyagee	2,697	2.7	232	2,796	3.6	323	5,493	3.1	554
Eelya									
Hollandaire	473	1.4	21	45	1.1	2	518	1.4	23
Rapier South				171	2.1	12	171	2.1	12
Total Eelya	473	1.4	21	216	1.9	13	689	1.6	35
Tuckabianna									
Jasper Queen				175	2.6	15	175	2.6	15
Gilt Edge				96	3.1	9	96	3.1	9
Total Tuckabianna				271	2.8	24	271	2.8	24
Total Cue Project	3,170	2.5	253	3,282	3.4	360	6,453	3.0	613

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

Copper Mineral Resources⁽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⁽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

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

Ore Reserves

Copper Ore Reserves⁽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⁽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

(1) In May 2019, Cyprium Australia Pty Ltd ("Cyprium" or "CYM") exercised an option to earn-in and joint venture on the non-gold rights over the northern Cue tenure including the Hollandaire deposit.

COMPETENT PERSON'S STATEMENT

Mineral Resources and Ore Reserves

The Information in this report that relates to Mineral Resources at Lena is based on information compiled by Mr Paul Payne, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Payne is a full-time employee of Payne Geological Services. Mr Payne has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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 Payne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources at Break of Day 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 a Competent Person 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 (ASX:SLR) 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 affects the information included in the original market announcement and, in the case of estimates of Mineral 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 report that relates to Exploration Targets and Exploration Results is based on information compiled and/or thoroughly reviewed by Mr Robert Waugh, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and a Member of the Australian Institute of Geoscientists (AIG). Mr Waugh is Managing Director and a full-time employee of Musgrave Minerals Ltd. Mr Waugh has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore

Reserves'. Mr Waugh consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s307C of the *Corporations Act 2001* is included on page 9.

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



Mr Graham Ascough
Chairman

Perth, 12 March 2020

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

As lead auditor for the review of Musgrave Minerals Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 12 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	CONSOLIDATED	
	Half-year ended 31 Dec 2019	Half-year ended 31 Dec 2018
	Note	\$
Other income		46,891
Impairment of exploration and evaluation assets	6	(35,130)
Employee benefits expense		(615,897)
Depreciation expense		(10,468)
Finance costs		-
Other expenses		(165,605)
Change in fair value of derivative financial instruments	5 a)	(293,000)
Profit / (loss) before income tax expense		(1,073,209)
Income tax benefit/(expense)		-
Profit / (loss) from continuing operations		(1,073,209)
Profit / (loss) attributable to members of the parent entity		(1,073,209)
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Equity instruments at fair value through other comprehensive income – fair value changes	5 b)	(320,000)
Total comprehensive profit / (loss) for the period		(1,393,209)
Profit / (loss) per share attributable to the owners of Musgrave Minerals Limited		<i>Cents per share</i>
Basic profit / (loss) per share	11	(0.32)
Diluted profit / (loss) per share	11	n/a

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	CONSOLIDATED	
		31 Dec 2019 \$	30 Jun 2019 \$
CURRENT ASSETS			
Cash and cash equivalents	4	4,088,969	3,543,732
Trade and other receivables		100,434	133,758
Other current assets		10,487	21,211
Derivative financial instruments	5 a)	616,000	131,000
TOTAL CURRENT ASSETS		4,815,890	3,829,701
NON-CURRENT ASSETS			
Equity instruments at fair value through other comprehensive income	5 b)	1,220,644	505,575
Property, plant and equipment		70,372	74,948
Right of use assets	2 b)	315,921	-
Exploration and evaluation assets	6	17,493,614	15,976,794
TOTAL NON-CURRENT ASSETS		19,100,551	16,557,317
TOTAL ASSETS		23,916,441	20,387,018
CURRENT LIABILITIES			
Trade and other payables	7	857,356	177,614
Short-term provisions		145,000	116,960
Lease liabilities	8	88,864	-
TOTAL CURRENT LIABILITIES		1,091,220	294,574
NON-CURRENT LIABILITIES			
Lease liabilities	8	235,042	-
TOTAL NON-CURRENT LIABILITIES		235,042	-
TOTAL LIABILITIES		1,326,262	294,574
NET ASSETS		22,590,179	20,092,444
EQUITY			
Issued capital	10	46,085,496	44,592,770
Reserves		1,811,180	1,128,652
Accumulated losses		(25,306,497)	(25,628,978)
TOTAL EQUITY		22,590,179	20,092,444

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	CONSOLIDATED				
	Issued Capital	Share Option Reserve	Equity FVTOCI Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2018	39,436,729	484,487	486,789	(24,321,810)	16,086,195
Total comprehensive loss for the period	-	-	-	(1,073,209)	(1,073,209)
Other comprehensive income	-	-	(320,000)	-	(320,000)
Total comprehensive loss for the period net of tax	-	-	(320,000)	(1,073,209)	(1,393,209)
Shares issued	5,500,000	-	-	-	5,500,000
Share issue costs	(343,959)	-	-	-	(343,959)
Issue of options	-	533,673	-	-	533,673
Balance at 31 December 2018	44,592,770	1,018,160	166,789	(25,395,019)	20,382,700
Balance at 1 July 2019	44,592,770	996,288	132,364	(25,628,978)	20,092,444
Total comprehensive profit for the period	-	-	-	153,868	153,868
Other comprehensive income	-	-	715,069	-	715,069
Total comprehensive profit for the period net of tax	-	-	715,069	153,868	868,937
Shares issued	1,500,000	-	-	-	1,500,000
Share issue costs	(7,274)	-	-	-	(7,274)
Issue of options	-	136,072	-	-	136,072
Transfer from share option reserve:					
– Expiry of options	-	(168,613)	-	168,613	-
Balance at 31 December 2019	46,085,496	963,747	847,433	(25,306,497)	22,590,179

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	CONSOLIDATED	
	Half-year ended 31 Dec 2019	Half-year ended 31 Dec 2018
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	48,233	-
Payments to suppliers and employees	(348,866)	(365,195)
Interest received	39,665	51,621
Interest paid	(15,074)	-
Net advances from joint venture partner	499,677	-
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	223,635	(313,574)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(7,689)	(31,733)
Payments for exploration activities	(1,128,737)	(2,654,912)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,136,426)	(2,686,645)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,500,000	5,500,000
Share issue costs	10 (7,274)	(343,959)
Lease principal repayments	(34,698)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,458,028	5,156,041
Net increase in cash and cash equivalents	545,237	2,155,822
Cash at the beginning of the period	3,543,732	5,230,122
CASH AT THE END OF THE PERIOD	4 4,088,969	7,385,944

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: CORPORATE INFORMATION

This general purpose financial report of Musgrave Minerals Ltd ("the Company") for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 12 March 2020.

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

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

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

This general purpose interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Musgrave Minerals Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

Except for Note 2(b) the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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

b) New accounting standards and interpretations

In the half-year ended 31 December 2019, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company include:

- AASB 16 *Leases*; and
- AASB Interpretation 23 *Uncertainty over Income Tax Treatments*.

AASB 16 Leases

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 *Leases*. The standard includes two recognition exemptions for lessees i.e. leases of 'low-value' assets and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments

(i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset or ROU asset).

Lessees will separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

AASB 16 became effective for the Group for the accounting period beginning 1 July 2019. The Group has chosen the modified retrospective approach to the application of AASB 16 and has consequently not restated the comparative information.

The Group leases its corporate office, operations yard and certain information technology hardware. These have been recognised as right-of-use-assets with a corresponding lease liability. For leases of 'low-value' assets and short-term leases the Group has opted to recognise the lease expense on a straight-line basis as incurred.

Impact of application of AASB 16 Leases

As at 1 July 2019 the Group recognised right-of-use assets with a net book value of \$198,620 and corresponding lease liabilities of \$198,620. After accounting for depreciation and lease principal payments during the half-year the balances as at 31 December 2019 were right-of-use assets with a net book value of \$315,921 and lease liabilities of \$323,906.

The impact on the statement of profit or loss (increase / (decrease)) for the period is:

Expense	\$	Notes
Tenancy and operating	49,772	Rent expense on previously recognised operating lease
Depreciation expense	(42,683)	Depreciation of lease asset recognised under AASB 16
Finance costs	(15,074)	Interest on lease recognised under AASB 16
Net impact on profit for the period	<u>(7,985)</u>	

There is no material impact on other comprehensive income and the basic and diluted earnings per share.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

	\$
Total operating lease commitments disclosed at 30 June 2019	103,259
Minor adjustments	375
Operating lease liabilities before discounting	103,634
Discounted using incremental borrowing rate	(8,225)
Reasonably certain extension options	103,211
Total lease liabilities recognised under AASB16 at 1 July 2019	198,620

AASB Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation addresses (a) whether an entity considers uncertain tax treatments separately; (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and (d) how an entity considers changes in facts and circumstances.

The adoption of this Interpretation has had no impact on the current or previous reporting period and as such there have been no adjustments to the opening balance of accumulated losses.

c) Going concern

These 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.

d) Critical accounting estimates and judgements

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

In preparing the interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the annual consolidated financial statements as at and for the year ended 30 June 2019.

NOTE 3: SEGMENT INFORMATION

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

The Board has considered the requirements of AASB 8 *Operating Segments* and the internal reports that are reviewed by the chief operating decision maker (the Managing Director) in allocating resources and has concluded at this time that there are no separately identifiable segments.

NOTE 4: CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	31 Dec 2019	30 Jun 2019
	\$	\$
Cash at bank and on hand	1,162,644	417,407
Short-term deposits	2,926,325	3,126,325
	4,088,969	3,543,732

In September 2019 Musgrave entered into an Earn-In and Joint Venture Exploration Agreement with Evolution Mining Limited (Evolution) over a select area of Lake Austin and surrounds (EJV) of the Cue Project. Musgrave is the manager of the EJV until Evolution meets its minimum expenditure requirement. Cash at bank and on hand includes amounts held for the EJV for budgeted and approved earn-in expenditure. As at 31 December 2019 the Company held \$499,677 in unexpended cash calls for Evolution.

NOTE 5: FINANCIAL ASSETS

	CONSOLIDATED	
	31 Dec 2019	30 Jun 2019
	\$	\$
a) Derivative financial instruments		
<i>Current</i>		
Opening balance	131,000	455,000
Change in fair value	485,000	(324,000)
Closing balance	616,000	131,000
b) Equity instruments at fair value through other comprehensive income		
<i>Non-Current</i>		
Opening balance	505,575	610,000
Acquisition ⁽¹⁾	-	250,000
Change in fair value	715,069	(354,425)
Closing balance	1,220,644	505,575

(1) 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).

The fair value of the derivative financial instruments (unlisted options in Legend Mining Ltd) has been determined using a Black Scholes option pricing model. The fair value of listed fair value through other comprehensive income financial assets (listed shares) has been determined directly by reference to the published price.

NOTE 6: EXPLORATION AND EVALUATION ASSETS

	CONSOLIDATED	
	31 Dec 2019	30 Jun 2019
	\$	\$
Exploration and evaluation assets	17,493,614	15,976,794

Consolidated Group

	Total \$
Balance 1 July 2019	15,976,794
Additions through expenditure capitalised	1,520,254
Impairment of tenements	(3,434)
Balance at 31 December 2019	17,493,614

NOTE 7: TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	31 Dec 2019	30 Jun 2019
	\$	\$
Trade creditors	641,998	63,508
Other payables	53,991	114,106
Amounts due to joint venture partner	161,367	-
	857,356	177,614

These amounts represent liabilities for goods and services provided to the Company prior to the end of the period and which are unpaid. Trade creditors are unsecured, non-interest bearing and are normally settled on 30-day terms. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

NOTE 8: LEASE LIABILITIES

	CONSOLIDATED	
	31 Dec 2019	30 Jun 2019
	\$	\$
Current	88,864	-
Non-Current	235,042	-
	323,906	-

The Company leases its corporate office, operations yard and certain information technology hardware. The Company has elected not to recognize a lease liability for 'low-value' and short-term leases. Refer also to Note 2 b) AASB 16 *Leases*.

NOTE 9: COMMITMENTS AND CONTINGENCIES

As at the reporting date there has been no material change in the commitments and contingencies since the 30 June 2019 annual report.

NOTE 10: ISSUED CAPITAL

	CONSOLIDATED	
	31 Dec 2019	30 Jun 2019
	\$	\$
Issued capital		
Fully paid ordinary shares	46,085,496	44,592,770

a) Movement in ordinary shares on issue

	Half-year ended 31 Dec 2019		Year ended 30 Jun 2019	
	No.	\$	No.	\$
Opening balance	386,782,066	44,592,770	326,999,457	39,436,729
Placement - 19 December 2018	-	-	59,782,609	5,500,000
Placement - 9 October 2019	18,587,361	1,500,000	-	-
Share issue costs	-	(7,274)	-	(343,959)
Closing balance	405,369,427	46,085,496	386,782,066	44,592,770

b) Movement in options on issue

	Half-year ended 31 Dec 2019		Year ended 30 Jun 2019	
	No.	\$	No.	\$
Opening balance	19,800,000	996,288	9,900,000	484,487
Options granted	6,680,000	136,072	10,550,000	533,673
Options expired / lapsed	(2,550,000)	(168,613)	(650,000)	(21,872)
Closing balance	23,930,000	963,747	19,800,000	996,288

NOTE 11: EARNINGS PER SHARE

	2019	2018
	Cents	Cents
Basic profit / (loss) per share	0.04	(0.32)
Diluted profit / (loss) per share	0.04	n/a

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

	2019	2018
	\$	\$
Profit / (loss) used in calculating basic and diluted earnings per share	153,868	(1,073,209)

	2019	2018
	Number	Number
Weighted average number of ordinary shares used in calculating basic profit / (loss) per share	395,166,582	330,898,323
Weighted average number of ordinary shares used in calculating diluted profit / (loss) per share	419,096,582	n/a

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 12: SHARE BASED PAYMENTS

At the Company's Annual General Meeting held on 21 November 2019, shareholders approved the issue of 3,000,000 options to the Managing Director. In addition, 700,000 options were issued to consultants and 2,980,000 options were issued to employees under the Employee Share Option Plan ("ESOP") The options issued are collectively referred to as "Issue U".

The fair value of these options was determined using a Black Scholes pricing model. The following table lists the inputs to the model for options granted during the six months ended 31 December 2019:

Inputs	Issue U
Number	6,680,000
Exercise price	\$0.1045
Issue date	28 Nov 2019
Expiry date	21 Nov 2022
Share price at grant date	\$0.07
Historical volatility (%)	60%
Risk-free interest rate (%)	0.72%
Expected dividend yield (%)	0%

The expense for the half-year was \$136,072 (2018: \$533,673). All Issue U options vested immediately.

NOTE 13: DIVIDENDS

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

NOTE 14: 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.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2019 and 30 June 2019:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 December 2019				
Derivative financial instruments	-	616,000	-	616,000
Financial assets at fair value through other comprehensive income	1,220,644	-	-	1,220,644
Closing balance	1,220,644	616,000	-	1,836,644
30 June 2019				
Derivative financial instruments	-	131,000	-	131,000
Financial assets at fair value through other comprehensive income	505,575	-	-	505,575
Closing balance	505,575	131,000	-	636,575

NOTE 15: EVENTS SUBSEQUENT TO THE REPORTING DATE

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

DIRECTORS' DECLARATION

In the opinion of the directors of Musgrave Minerals Ltd:

- 1) the financial statements and notes of Musgrave Minerals Ltd are in accordance with the *Corporations Act 2001*, including:
 - a) giving a true and fair view of its financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
 - b) comply with Accounting Standard AASB 134 *Interim Financial Reporting*; and
- 2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

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

Mr Graham Ascough
Chairman

12 March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Musgrave Minerals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Musgrave Minerals Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.


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



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO


Glyn O'Brien

Director

Perth, 12 March 2020