

Musgrave Minerals Ltd

ABN 12 143 890 671

Half Year Report

for the half year ended 31 December 2012

Contents of Half Year Report

Directors' Report	3
Auditor's Independence Declaration	5
Interim consolidated statement of profit or loss and other comprehensive income	6
Interim consolidated statement of financial position.....	7
Interim consolidated statement of changes in equity	8
Interim consolidated statement of cash flows	9
Notes to the Financial Statements	10
1. Nature of operations	10
2. General information and basis of preparation.....	10
3. Significant accounting policies	10
4. New standards, interpretations and amendments adopted by the Group	10
5. Estimates	11
6. Significant events and transactions.....	11
7. Segment reporting.....	11
8. Cash and cash equivalents	12
9. Exploration and evaluation assets.....	12
10. Subsequent events	12
11. Contingent liabilities.....	12
12. Incorporation of wholly-owned subsidiary	12
Directors' Declaration	13
Independent Auditor's Review Report.....	14

Directors' Report

The directors of Musgrave Minerals Ltd ('Musgrave') present their Report together with the financial statements of the consolidated entity, being Musgrave Minerals Ltd ('the Company') and its controlled entities ('the Group') for the half year ended 31 December 2012.

Director Details

The following persons were directors of Musgrave during or since the end of the half year.

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

Operating Result

The Company's loss for the half year ended 31 December 2012 after providing for income tax amounted to \$562,268 (2011: 211,353).

Review of Operations

Musgrave Minerals Ltd ('Musgrave Minerals' or the 'Company') is dedicated to discovering deposits of economic mineralisation in the Musgrave Province and Gawler Craton of South Australia, using systematic and well-resourced exploration methods and programs. The Company has a leading exploration landholding in the Musgrave region, with tenements covering an area in excess of 50,000km², and a Joint Venture with Menninnie Metals Pty Ltd, a subsidiary of Terramin Australia Limited (ASX: TZN) to earn a 51% interest in the Menninnie Dam Project in the first stage, and up to a 75% interest thereafter.

Musgrave Projects

In northern South Australia, the Musgrave Province lies almost entirely within Anangu Pitjantjatjara Yankunytjatjara ("APY") land (Aboriginal freehold land). Four new exploration licences granted to Musgrave Minerals Ltd have doubled the Company's granted tenure in the Musgrave region to more than 12,900 km².

Significant results during the period included the identification of new high priority nickel-copper electromagnetic (EM) and geochemical targets at Deering Hills, Mt Woodroffe and Bryson Hill. The Ragnar target (coincident IP chargeability and copper geochemistry) on the Mimili Project, situated on wholly-owned tenements (EL3955 and EL3954), has been followed up with a regional soil sampling grid with targets identified for drill testing.

Through the combination of geological mapping, airborne geophysics, ground electromagnetic surveys, surface geochemistry and vacuum drilling, the Company has continued to define high quality geophysical and geochemical nickel-copper sulphide targets in the Musgrave for drill testing in 2013. Strong electromagnetic and geochemical targets are present at Deering Hills, Mt Woodroffe and Bryson Hill.

Going forward, the Company will focus on the Deering Hills, Mt Woodroffe, Mimili and Bryson Hill projects given the strong encouragement received in 2012, while continuing regional exploration to progress other project areas. Surface geochemical and ground EM surveys will be used to focus drilling.

Menninnie Dam

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

The Company commenced its maiden drilling campaign at Menninnie Dam in late November 2012, the first basement drilling on the project since 2008. The majority of the results from this program are still awaited.

A regional silver soil geochemical program has commenced at Menninnie, which is only 20km from the new Paris silver discovery drilled by Investigator Resources Ltd. RC drilling will recommence in March 2013 to test highly rated IP chargeability and geochemical targets.

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 5 of this financial report and forms part of this Directors' Report.

Signed in accordance with a resolution of the directors.



Mr Graham Ascough
Chairman

8 March 2013

Competent Person's Statement

The information in this report 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 (AusIMM) and a member of the Australian Institute of Geoscientists (AIG). Mr Waugh is Managing Director of Musgrave Minerals Limited. Mr Waugh has sufficient industry experience to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Waugh consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

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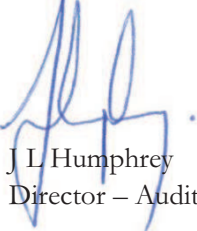
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MUSGRAVE MINERALS LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Musgrave Minerals Limited for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Director – Audit & Assurance

Adelaide, 8 March 2013

Interim consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2012

	Consolidated Group	
	Half-year ended	
	31 Dec 2012	31 Dec 2011
	\$	\$
Other income	352,532	409,729
Impairment of exploration and evaluation assets	(301,853)	-
Employee benefits expense	(222,121)	(253,109)
Depreciation expense	(42,205)	(50,678)
Finance costs	(4,533)	(5,434)
Other expenses	(344,088)	(307,331)
Loss before income tax expense	(562,268)	(206,823)
Income tax benefit/(expense)	-	(4,530)
Loss from continuing operations	(562,268)	(211,353)
Loss attributable to members of the parent entity	(562,268)	(211,353)
Total comprehensive income for the period	(562,268)	(211,353)
Earnings per share:	<i>Cents</i>	<i>Cents</i>
Basic earnings per share	(0.46)	(0.17)
Diluted earnings per share	(0.46)	(0.17)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated interim financial report.

Interim consolidated statement of financial position

As at 31 December 2012

		Consolidated Group	
	Note	31 December 2012 \$	30 June 2012 \$
CURRENT ASSETS			
Cash and cash equivalents	8	11,597,007	13,570,860
Trade and other receivables		118,929	133,257
Other current assets		146,735	182,029
TOTAL CURRENT ASSETS		11,862,671	13,886,146
NON-CURRENT ASSETS			
Property, plant and equipment		211,296	224,276
Exploration and evaluation assets	9	14,995,879	13,538,949
TOTAL NON-CURRENT ASSETS		15,207,175	13,763,225
TOTAL ASSETS		27,069,846	27,649,371
CURRENT LIABILITIES			
Trade and other payables		316,636	313,432
Short-term borrowings		59,999	64,587
Short-term provisions		89,535	87,060
TOTAL CURRENT LIABILITIES		466,170	465,079
NON-CURRENT LIABILITIES			
Long-term borrowings		27,940	50,854
Long-term provisions		8,748	4,182
TOTAL NON-CURRENT LIABILITIES		36,688	55,036
TOTAL LIABILITIES		502,858	520,115
NET ASSETS		26,566,988	27,129,256
EQUITY			
Issued capital		26,718,899	26,718,899
Reserves		2,937,845	2,944,985
Retained earnings		(3,089,756)	(2,534,628)
TOTAL EQUITY		26,566,988	27,129,256

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

Interim consolidated statement of changes in equity

For the half-year ended 31 December 2012

	Note	Consolidated Group			
		Issued Capital Ordinary \$	Share Option Reserve \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2011		26,729,469	2,907,500	(2,258,446)	27,378,523
Total comprehensive loss for the period		-	-	(211,353)	(211,353)
Transaction costs (net of tax)		(10,570)	-	-	(10,570)
Balance at 31 December 2011		26,718,899	2,907,500	(2,469,799)	27,156,600
Balance at 1 July 2012		26,718,899	2,944,985	(2,534,628)	27,129,256
Total comprehensive loss for the period		-	-	(562,268)	(562,268)
Transfer from share option reserve due to lapse of options under employee share option plan		-	(7,140)	7,140	-
Balance at 31 December 2012		26,718,899	2,937,845	(3,089,756)	26,566,988

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

Interim consolidated statement of cash flows

For the half-year ended 31 December 2012

	Consolidated Group	
	Half year ended 31 Dec 2012 \$	Half year ended 31 Dec 2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(512,694)	(532,703)
Interest received	380,598	204,004
Finance costs	(4,816)	(5,434)
NET CASH USED IN OPERATING ACTIVITIES	(136,912)	(334,133)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(27,125)	(116,193)
Payments for exploration activities	(1,780,567)	(1,960,430)
NET CASH USED IN INVESTING ACTIVITIES	(1,807,692)	(2,076,623)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of transaction costs for issue of shares	-	(14,012)
Proceeds from borrowings	-	65,658
Repayment of borrowings	(29,249)	(22,568)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	(29,249)	29,078
Net increase/(decrease) in cash and cash equivalents	(1,973,853)	(2,381,678)
Cash at the beginning of the period	13,570,860	17,781,987
CASH AT THE END OF THE PERIOD	11,597,007	15,400,309

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

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

1. Nature of operations

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

2. General information and basis of preparation

The condensed interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2012 and are presented in Australian dollars (\$), which is the functional currency of the parent company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2012 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The interim financial statements have been approved and authorised for issue by the board of directors on 8 March 2013.

3. Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2012.

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

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half-year.

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

Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half-years. However, the application of AASB 2011-9 has resulted in changes to the Company's presentation of, or disclosure in, its half-year financial statements.

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

5. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2012.

6. Significant events and transactions

On 2 October 2012, Musgrave announced that it had entered into a new joint venture with Menninnie Metals Ltd (a wholly owned subsidiary of the Terramin Australia Ltd group) to earn up to a 75% interest in its Menninnie Dam Silver-Zinc-Lead Project. The key terms of the agreement are a commitment to spend a minimum of \$1 million on the project within the first year, with an option then to acquire a 51% interest in the project by spending an additional \$5 million over a further four years. Following the acquisition of a 51% interest, Musgrave can then elect to contribute on a pro-rata basis, with an additional 24% available if Menninnie Metals elect not to contribute through an additional \$3 million of expenditure over 2 years.

7. Segment reporting

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

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

8. Cash and cash equivalents

	Consolidated	
	31-Dec 2012 \$	30-Jun 2012 \$
Cash at bank and on hand	117,007	460,860
Term deposits	11,480,000	13,110,000
	11,597,007	13,570,860

9. Exploration and evaluation assets

Exploration and evaluation phases	14,995,879	13,538,949
	14,995,879	13,538,949

Consolidated group	Exploration \$	Total \$
Balance 1 July 2012	13,538,949	13,538,949
Additions through expenditure capitalised	1,758,783	1,758,783
Impairment of relinquished tenements	(301,853)	(301,853)
Balance at 31 December 2012	14,995,879	14,995,879

10. Subsequent events

No events occurred subsequent to the balance date.

11. Contingent liabilities

There has been no change in contingent liabilities since the last reporting date.

12. Incorporation of wholly-owned subsidiary

On 13 September 2012, Musgrave Minerals Ltd incorporated a new wholly-owned subsidiary, Musgrave Exploration Pty Ltd ('Musgrave Exploration'). Musgrave Exploration holds the Groups interest in the Menninnie Joint Venture with Menninnie Metals Ltd. Accordingly, the Company's financial statements for the half year ended 31 December 2012 have been prepared on a consolidated basis.

Directors' Declaration

In the opinion of the directors of Musgrave Minerals Ltd:

- (a) the consolidated financial statements and notes of Musgrave Minerals Ltd are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Mr Graham Ascough
Chairman

8 March 2013

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

We have reviewed the accompanying half-year financial report of Musgrave Minerals Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2012, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated Company, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Company, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Musgrave Minerals Limited consolidated Company's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Musgrave Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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


Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

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

- a giving a true and fair view of the consolidated Company's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Director – Audit & Assurance

Adelaide, 8 March 2013