FINANCIAL STATEMENTS

For the year ended 30 June 2018

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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LEGAL ADVISORS

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Adelaide SA 5000

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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 2018 Annual Report for Musgrave Minerals Limited ("Musgrave" or "Company").

2018 was a successful year for Musgrave, we expanded our resource base, identified new discovery opportunities and advanced on a potential pathway to development that could provide strong financial returns for Shareholders. Our focus continues to be on the Cue Project ("Cue") which is located in the well-endowed, gold producing Murchison region of Western Australia.

Significantly, the Company continues to expand its existing gold resources and identify new zones of gold mineralisation at Cue. In July 2017, the Company announced an update to the Mineral Resources for Lena and Break of Day and together with the other resources identified on the project, Cue is now estimated to host 440koz of gold. Extensional drilling after the release of the new resource continued to intersect high grade mineralisation at Break of Day, including 30m @ 11.3g/t gold and 11m @ 54g/t gold. The mineralisation encountered by these and other drill holes at Lena and Break of Day have not been included in the resource models to date and the deposits remain open at depth. Regional drilling also identified new mineralised positions at a number of targets including Louise, Joshua and Lake Austin North which is shaping up to potentially be a significant new gold discovery. Given the ongoing drilling success at Cue, the current resource figure of 440koz of gold is expected to grow.

In August 2017, the Company was pleased to increase its interest in Cue by exercising its pre-emptive right to acquire Silver Lake Resources Limited's remaining interest in the Project on equivalent terms to those proposed by Westgold Resources Ltd ("Westgold"). As a result, Musgrave now holds 100% of the core tenure that hosts all the gold and copper Mineral Resources on the Project.

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. In May 2018, Westgold invested $3.36M in Musgrave at a premium to the market price at the time, to become a substantial shareholder in the Company.

At the end of the financial year Musgrave and Westgold agreed to a non-binding Term Sheet that provides the scope on which a formal Mine Management and Profit Sharing Agreement can be negotiated. The proposed Mine Management and Profit Sharing arrangement would provide a near term development pathway, potentially generating significant cashflow for the Company. It will be restricted to existing resources at Cue and Musgrave will retain a 100% interest in the exploration tenure and all new discoveries. This potential low-risk, low-cost development pathway will enable Musgrave to focus on its exploration strengths and accelerate our drilling programs across a range of high priority targets including Lake Austin North.

The Company will continue to advance its internal optimisation and development studies during the negotiations on the formal Mine Management and Profit Sharing Agreement. These studies will provide baseline parameters and assist in forecasting production goals and potential cashflow under the proposed arrangement.

Our exploration team continues to identify high priority targets and exploration drilling is ongoing at Cue 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.

Prior to the Westgold investment described above, Musgrave had successfully completed a capital raising in October 2017 to raise $3.6M through a Placement and Share Purchase Plan (SPP). The Placement attracted several new investors to the Company and the SPP offered eligible shareholders the opportunity to acquire further shares in the Company on the same terms as the Placement. It was very pleasing to see strong participation in the SPP from existing shareholders and I take this opportunity, on behalf of the Board, to thank all of 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 development through 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 and base metals 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 and development at Cue. The Company has made significant progress following the discovery of high grade gold at Break of Day and significantly upgrading the gold resource base in July 2017.

Musgrave has outlined an estimated 440koz gold in resources on the project and has completed more than 25,000m of drilling during the year. The total Indicated and Inferred JORC Mineral Resources on the project now stand at; 4.83 Mt @ 2.84 g/t Au for 440,000 ounces of gold (*see ASX announcement 24 October 2017, "Annual Report 2017"*).

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 develop a low-cost operation from the current resource base, capable of delivering strong financial returns for its shareholders. This may enable Musgrave to largely self-fund exploration at Lake Austin North and other high priority targets that suggest the presence of large gold systems capable of delivering significant resource increases, that may in the future, define a potential stand-alone operation.

Musgrave has had outstanding drilling success during the year with extensional drilling at Break of Day (outside the current resource) returning intercepts that include:

- 11m @ 54.0g/t Au from 217m (17MORC084);
- 4m @ 9.3g/t Au from 288m (17MORC120);
- 3m @ 9.2g/t Au from 278m (17MORC116);
- 9m @ 4.8g/t Au from 206m (17MORC105);

(*see ASX releases dated 5 September 2017, 10 November 2017 and 8 December 2017*)

At the new Lake Austin North target Musgrave has intersected high-grade gold over thick intervals and a significant strike extent with three parallel mineralised zones (A, B and C Zones) identified in weathered Archaean regolith below sedimentary lake cover. Many of the drill holes terminated in significant gold mineralisation. The A zone target is a significant, 700m long gold regolith "halo" anomaly define from aircore drilling and is open to the north and south.

Significant intercepts from the A Zone include:

- 13m @ 3.95g/t Au from 120m (18MOAC075) to EOH including,
  - 2m @ 10.46g/t Au from 131m to EOH
- 31m @ 1.78g/t Au from 124m (18MOAC077) to EOH including,
  - 9m @ 2.72g/t Au from 131m
  - 5m @ 4.90g/t Au from 143m
- 26m @ 1.11g/t Au from 120m (18MOAC106) to EOH including,
  - 14m @ 1.97g/t from 132m Au to EOH
- 19m @ 1.0g/t Au from 113m (18MOAC076),
- 25m @ 0.94g/t Au from 124m (18MOAC072) to EOH including,
  - 2m @ 7.83g/t Au from 139m

The C Zone target also returned significant intercepts in weathered Archaean regolith including:

- 30m @ 0.56g/t Au from 66m (18MOAC117) to EOH including,
  - 6m @ 1.44g/t Au from 90m to EOH

  (*see ASX releases dated 27 July 2018 and 8 August 2018*)

Follow-up, deeper drilling to further test the system has commenced and on 31 August Musgrave announced the results from the first RC hole drilled into the A Zone target at Lake Austin North. Drill hole 18MORC039 intersected 42m @ 3.2g/t Au from 108m, including 24m @ 5.1g/t Au from 114m which included 6m @ 12.6g/t Au from 126m down hole (*see ASX announcement 31 August 2018, "First RC drill hole hits 42m @ 3.2g/t Au at Lake Austin North, Cue"*). The intercept supports the potential for the Lake Austin North target to be a large mineralised gold system. Drilling is continuing.

During the year the Company continued to refine its exploration portfolio with applications for additional tenements in the Cue region and divesting the Corunna Project in South Australia through a Joint Venture with Petratherm Ltd. After the sale of its Fraser Range tenement, the Company holds 10 million shares and 10 million unlisted options in Legend Mining Limited.

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 2018

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
TOTAL	2,206	2.84	202	2,623	2.84	239	4,830	2.84	441

Copper Mineral Resources as at 30 June 2018

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 2018

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

Mineral Reserves

Copper Mineral Reserves as at 30 June 2018

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 Mineral Reserves as at 30 June 2018

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.

Notes to Table 1

The Break of Day and Lena Mineral Resources at Moyagee are produced 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".

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 2018.

DIRECTORS

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

- 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;
- 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 2018 was $189,475 (2017: $5,240,475).

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.

Exploration and evaluation costs totalling $41,108 (2017: $4,749,163) were impaired during the year. The impaired exploration and evaluation costs primarily comprise previously capitalised costs in relation to some non-core tenements in South Australia and Western Australia which were relinquished and two new tenement applications in the Cue region.

As at 30 June 2018, the Group had net assets of $16,086,195 (2017: $8,775,705) including cash and cash equivalents of $5,230,122 (2017: $3,560,365).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

On 11 October 2017, the Company completed a placement to sophisticated and professional investors of 46,000,000 ordinary shares at an issue price of 6.2 cents per share raising $2,852,000 before costs.

In October 2017 the Company also announced a Share Purchase Plan ("SPP"). The SPP was strongly supported by Shareholders and the Company issued 12,338,675 new shares at an issue price of 6.2 cents per share raising an additional $765,000 before costs.

On 28 May 2018, the Company completed a placement to Westgold Resources Limited (Westgold) of 48,000,000 ordinary shares at an issue price of 7.0 cents per share raising $3,360,000. The placement to Westgold was at a premium of 15.4% to the 15-day VWAP at the time of investment and represents a holding of 14.7% (undiluted) in Musgrave Minerals Ltd.

A Farm-in and Joint Venture agreement with Petratherm Limited (Petratherm) (ASX: PTR) was executed for the Corunna Project (EL5497) in South Australia. Petratherm can earn up to 75% through staged expenditure of $1 million over 2.5 years.

Musgrave has increased its landholding in the Cue region and now holds over 300km^2 of tenure.

The Company successfully secured an Exploration Incentive Scheme ("EIS") co-funded drilling grant of $150,000 for the Cue Project to drill test gold and copper targets in 2018-19.

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 3 July 2018 Musgrave executed a non-binding Term Sheet with Westgold that provides a near-term development pathway for the existing gold resources at its Cue Project. The Term Sheet outlines the scope of a Mine Management and Profit Sharing arrangement whereby Musgrave will receive 50% of profits from operations that will be financed, managed and operated by Westgold, an established and highly experienced Australian gold producer (*see ASX announcement 3 July 2018, "Musgrave to Progress Opportunity to develop Cue Gold Resources with Westgold"*).

The Term Sheet is non-binding and provides the scope on which a formal Mine Management and Profit Sharing Agreement can be negotiated. The arrangement will be restricted to the existing JORC-compliant gold resources, and a 100m buffer at the Lena, Break of Day, Jasper Queen, Gilt Edge and Rapier South deposits on Musgrave's 100% owned tenements at Cue. Musgrave will retain 100% of the exploration interests and upside outside of the defined resources.

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 and Petroleum (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 both the *Energy Efficiency Opportunity Act 2006* and 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 2018. 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 28 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	Mithril Resources Ltd (appointed 9 October 2006) PNX Metals Ltd (appointed 10 December 2012) Sunstone Metals Ltd (formerly Avalon Minerals Ltd) (appointed 29 November 2013)	
Former directorships in last three years	None	
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 1,500,000

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	1,457,172 3,100,000

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	None	
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 1,000,000

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 1,000,000

COMPANY SECRETARY

Mrs Patricia (Trish) Farr, GradCertProfAcc, GradDipACG, AGIA, ACIS, GAICD, appointed 30 June 2015

Trish Farr is an experienced Chartered Secretary with over 17 years' experience in the exploration and mining industry in the areas of corporate governance, compliance and administration. Mrs Farr was previously 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 an associate 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 2018, and the numbers of meetings attended by each Director were:

	Board of Directors		Audit Committee	
	A	B	A	B
Graham Ascough	8	8	2	2
Robert Waugh	8	8	2	2
Kelly Ross	8	8	2	2
John Percival	8	8	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 John Percival, being the Director retiring by rotation who, being eligible, will offer himself for re-election at the 2018 Annual General Meeting.

REMUNERATION REPORT (AUDITED)

The Directors present the Musgrave Minerals Limited 2018 Remuneration Report, outlining key aspects of our 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 2017 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 12 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 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 has been sought during the period ended 30 June 2018.

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 2017 Annual General Meeting

Proxies received for the 2017 remuneration report at the Company's AGM were more than 96% in favour of the report. The Company did not receive any specific feedback at the AGM on its remuneration practices.

g) Details of remuneration

The following tables show 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 %
	Salary & fees $	Bonus $	Non-monetary Benefit $	Superannuation $	Options $		
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	
2017							
Directors							
G Ascough	65,000	-	-	-	49,460	114,460	43.2
R Waugh	266,055	53,211	-	30,330	139,973	489,569	28.6
K Ross	45,000	-	-	4,275	32,973	82,248	40.1
J Percival	45,000	-	-	4,275	32,973	82,248	40.1
TOTALS	421,055	53,211	-	38,880	255,379	768,525	

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 $268,716 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 2017 and 2018 financial period as indicated in the table above were approved by shareholders at the 2016 and 2017 Annual General Meetings.

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

Option series	Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	% Vested
F (1)	6 Mar 2013	6 Mar 2013	5 Mar 2018	$0.25	$0.0431	100%
H	11 Mar 2014	11 Mar 2014	10 Mar 2019	$0.12	$0.0522	100%
J	16 Sep 2015	16 Sep 2015	10 Mar 2019	$0.12	$0.0046	100%
L (1)	16 Sep 2015	16 Sep 2015	23 Mar 2018	$0.25	$0.0010	100%
M	22 Apr 2016	22 Apr 2016	22 Apr 2021	$0.45	$0.0194	100%
N (2)	4 Nov 2016	4 Nov 2016	22 Apr 2021	$0.45	$0.0923	100%
O	4 Nov 2016	4 Nov 2016	3 Nov 2019	$0.167	$0.0659	100%
P	4 Nov 2016	4 Nov 2016	3 Nov 2021	$0.195	$0.0628	100%
Q	29 Nov 2017	29 Nov 2017	29 Nov 2020	$0.097	$0.0436	100%
R	7 Dec 2017	29 Nov 2017	29 Nov 2020	$0.097	$0.0436	100%

(1) These options expired during the financial year.
(2) These options were exercised during the financial year.

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 impact of dilution, 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 24 to the financial statements.

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
2018								
Directors								
G Ascough	750,000	750,000	-	-	1,500,000	-	1,500,000	-
R Waugh	2,000,000	1,500,000	(400,000)	-	3,100,000	-	3,100,000	-
K Ross	500,000	500,000	-	-	1,000,000	-	1,000,000	-
J Percival	500,000	500,000	-	-	1,000,000	-	1,000,000	-
TOTAL	3,750,000	3,250,000	(400,000)	-	6,600,000	-	6,600,000	-

Shareholdings

	Opening balance at 1 July	Granted as remuneration	Options exercised	Net change (other)	Balance at 30 June
2018					
Directors					
G Ascough	849,237	-	-	241,935	1,091,172
R Waugh	815,237	-	400,000	241,935	1,457,172
K Ross	100,847	-	-	80,645	181,492
J Percival	554,237	-	-	140,322	694,559
TOTAL	2,319,558	-	400,000	704,837	3,424,395

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 granted	Expiry date	Issue price of shares	Number under option
11 March 2014	10 March 2019	$0.12	300,000
16 September 2015	10 March 2019	$0.12	250,000
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
		TOTAL:	9,900,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. During the year 400,000 options, previously issued to Mr Waugh were exercised and 400,000 new shares issued.

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 2018 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

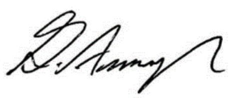
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (Grant Thornton Audit Pty Ltd) for audit and non-audit services provided during the year are set out in Note 19. During the year ended 30 June 2018 no fees were paid or were payable for non-audit services provided by the auditor of the consolidated entity (2017: $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 2018

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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 year ended 30 June 2018. 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

C A Becker
Partner – Audit & Assurance

Perth, 19 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	CONSOLIDATED 2018 $	2017 $
Revenue from operating activities	3(a)	81,570	125,625
Employee benefits expense	3(b)	(370,660)	(507,247)
Depreciation expense		(13,080)	(14,630)
Impairment expense	11	(41,108)	(4,749,163)
Other expenses	3(c)	(390,323)	(327,426)
Change in fair value of derivate financial instruments	9(a)	418,000	(4,000)
Loss from continuing operations before income tax		(315,601)	(5,476,841)
Income tax benefit	5	126,126	236,366
Loss after income tax for the period attributable to the owners of Musgrave Minerals Limited		(189,475)	(5,240,475)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Change in the fair value of available-for-sale financial assets	9(b)	470,000	16,789
Other comprehensive income for the period (net of tax)		470,000	16,789
Total comprehensive loss for the period attributable to the owners of Musgrave Minerals Limited		280,525	(5,223,686)
		Cents per share	Cents per share
Loss per share attributable to the owners of Musgrave Minerals Limited			
Basic loss per share	18	0.07	2.92
Diluted loss per share	18	0.07	2.92

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 2018

	Notes	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	5,230,122	3,560,365
Trade and other receivables	7	114,650	435,795
Other current assets	8	14,611	10,307
Derivate financial instruments	9(a)	455,000	37,000
Total Current Assets		5,814,383	4,043,467
Non-Current Assets			
Available-for-sale financial assets	9(b)	610,000	140,000
Property, plant and equipment	10	45,493	48,810
Exploration and evaluation	11	10,256,138	5,022,031
Total Non-Current Assets		10,911,631	5,210,841
TOTAL ASSETS		16,726,014	9,254,308
LIABILITIES			
Current Liabilities			
Trade and other payables	13	530,869	389,372
Short-term provisions	14	108,950	78,993
Total Current Liabilities		639,819	468,365
Non-Current Liabilities			
Long-term provisions	14	-	10,238
Total Non-Current Liabilities		-	10,238
TOTAL LIABILITIES		639,819	478,603
NET ASSETS		16,086,195	8,775,705
EQUITY			
Contributed equity	15	39,436,729	32,646,322
Reserves	16	971,276	320,283
Accumulated losses	17	(24,321,810)	(24,190,900)
TOTAL EQUITY		16,086,195	8,775,705

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 2018

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE ENTITY				
	Issued Capital $	Options Reserve $	Assets held for Sale Reserve $	Accumulated Losses $	Total Equity $
At 1 July 2016	**26,793,899**	**64,503**	**-**	**(18,966,813)**	**7,891,589**
Total comprehensive loss for the period	-	-	-	(5,240,475)	(5,240,475)
Other comprehensive income	-	-	16,789	-	16,789
Loss after income tax for the period (net of tax)	**-**	**-**	**16,789**	**(5,240,475)**	**(5,223,686)**
Transactions with owners in their capacity as owners:					
Issue of shares	6,242,998	-	-	-	6,242,998
Transaction costs of issuing shares	(390,575)	-	-	-	(390,575)
Transfer from share option reserve:					
- Due to exercise of options	-	(3,870)	-	3,870	-
- Due to expiry of options	-	(12,518)	-	12,518	-
Issue of options to directors	-	255,379	-	-	255,379
At 30 June 2017	**32,646,322**	**303,494**	**16,789**	**(24,190,900)**	**8,775,705**
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
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**

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 2018

	Notes	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(539,570)	(627,092)
Interest received		61,773	68,554
Research and development tax rebate received		362,491	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	25	(115,306)	(558,538)
NET CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments for property, plant and equipment		(9,763)	-
Payments for tenements		(1,500,000)	-
Payments for exploration activities		(3,480,531)	(3,808,744)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(4,990,294)	(3,808,744)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		6,977,000	6,233,998
Proceeds from exercise of options		18,000	9,000
Share issue costs		(219,643)	(390,575)
NET CASH FLOWS FROM FINANCING ACTIVITIES		6,775,357	5,852,423
Net increase/(decrease) in cash and cash equivalents		1,669,757	1,485,141
Cash and cash equivalents at beginning of the period		3,560,365	2,075,224
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	5,230,122	3,560,365

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 2018 was authorised for issue in accordance with a resolution of the Directors on 19 September 2018.

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 2017 have been adopted. The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

- AASB 2016-1: Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses;
- AASB 2016-2: Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107; and
- AASB 2017-2: Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle.

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 9: *Financial Instruments* AASB 9 replaces AASB 139: *Financial Instruments: Recognition and Measurement*. The objective of this Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.	1 Jan 2018	1 Jul 2018
AASB 15: *Revenue from Contracts with Customers* The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.	1 Jan 2018	1 Jul 2018
AASB 2016-5: *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions* This Standard amends AASB 2: *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. Share-based payment transactions with a net settlement feature for withholding tax obligations. A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The entity is yet to undertake a detailed assessment of the impact of AASB 2016-5. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.	1 Jan 2018	1 Jul 2018
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 2019.	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 2018 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.

Joint arrangements

Under AASB 11: *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

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.

Share-based payment transactions

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.

Exploration and evaluation costs carried forward

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the Directors. In conducting the review, if any impairment indicators are identified, the recoverable amount is then assessed by reference to the higher of "fair value less costs to sell" and, if applicable, "value in use".

In determining value in use, future cash flows are based on estimates of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction, production and sales levels, future commodity prices, future capital and production costs and future exchange rates.

Variations to any of these estimates, and timing thereof, could result in significant changes to the expected future cash flows which in turn could result in significant changes to the impairment test results, which in turn could impact future financial results. The recoverability of the carrying amount of deferred exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Musgrave Minerals Limited.

f) Functional and presentation of currency

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss and other comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

g) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Interest income is recognised as it accrues.

h) Income tax

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 for each jurisdiction, 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.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Musgrave Minerals Limited and its wholly-owned Australian controlled entity have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Amounts receivable from the Australian Tax Office in respect to the research and development tax concession claims are recognised as an income tax benefit in the year in which the claim is lodged with the Australian Tax Office. Any research and development tax offset due to the Company will be recognised under the tax expense or income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income when the amount to be received is known.

i) 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.

j) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

k) Cash and cash equivalents

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.

l) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are 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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the profit or loss.

m) Exploration and evaluation expenditure

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 Group has obtained the legal rights to explore an area are recognised in the statement of profit or loss and other comprehensive income.

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

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

The Cue Project Farm-in and Joint Venture with Silver Lake is deemed to be a Joint Operation under AASB 11: *Joint Arrangements* and the Group accounts for its share of the joint venture assets, liabilities, income and expenses.

n) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the diminishing value and prime cost methods to allocate their cost, net of their residual values, over their estimated useful lives, or in the case of certain leased plant and equipment, the shorter lease term as follows:

- Motor vehicles 8 years
- Office and computer equipment 1–10 years
- Furniture, fittings and equipment 1–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

p) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service, 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 and accumulating sick leave is recognised in the provision for employee benefits. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. All other short-term employee benefit obligations are presented as payables.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

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 in the 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 using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

The Group provides benefits to employees of the Company in the form of share options. The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on a straight line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value. No termination benefits, other than accrued benefits and entitlements, were paid during the period.

q) Equity

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.

r) Earnings per share

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.

s) 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.

t) Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (“FVTPL”) include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. 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.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets include listed securities.

AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

NOTE 3: REVENUE AND EXPENSES

a) Revenue from operating activities

	CONSOLIDATED	
	2018 $	2017 $
Interest revenue	66,077	66,273
Other	15,493	59,352
Total revenue from operating activities	81,570	125,625

b) Employee benefits expense

	CONSOLIDATED	
	2018 $	2017 $
Wages, salaries, directors fees and other remuneration expenses	993,426	976,487
Superannuation contributions	88,848	84,586
Transfer to/(from) annual leave provision	5,025	(6,020)
Transfer to/(from) long service leave provision	14,694	15,367
Share-based payments expense	239,558	255,379
Transfer to capitalised tenements	(970,891)	(818,552)
Total employee benefits expense	370,660	507,247

c) Other expenses

	CONSOLIDATED	
	2018 $	2017 $
Secretarial, professional and consultancy costs	116,685	128,816
Occupancy costs	48,912	48,000
Share register maintenance	15,489	51,634
ASX / ASIC	38,596	32,844
Promotion, advertising and sponsorship	73,104	15,899
Employer related on-costs	25,820	19,083
Other expenses	71,717	31,150
Total other expenses	390,323	327,426

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	
	2018 $	2017 $
Statement of Profit or Loss and Other Comprehensive Income		
Current income tax:		
- Current income tax benefit at a rate of 27.5% (2017: 27.5%)	-	-
- R&D tax concession	(126,126)	(236,366)
Deferred income tax:		
- Relating to original and reversal of temporary differences	(1,278,715)	(411,364)
- Deferred tax liability offset by deferred tax asset losses	1,221,996	1,177,104
- Temporary difference not recognised in the current period	56,719	(765,740)
Income tax expense/(benefit) reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	(126,126)	(236,366)
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	(315,601)	(5,476,841)
At the statutory income tax rate of 27.5% (2017: 27.5%)	(86,790)	(1,506,131)
Add:		
- Immediate write-off of capital expenditure	(1,038,184)	(1,083,945)
- Expenditures not allowable for income tax purposes	125,436	1,522,984
- Other deductible items	(222,458)	(110,012)
- Tax losses not recognised due to not meeting recognition criteria	1,221,996	1,177,104

NOTE 5: INCOME TAX (Continued)

	CONSOLIDATED	
	2018 $	2017 $
Deferred income tax		
Recognised on the Statement of Financial Position, deferred income tax at the end of the reporting period relates to the following: (2018: 27.5%, 2017: 27.5%)		
Deferred income tax liabilities:		
- Capitalised expenditure deductible for tax purposes	2,433,147	1,381,059
- Trade and other receivables	12,691	3,023
- Derivative financial instruments	113,850	-
- Available for sale financial instruments	133,867	-
	2,693,555	1,384,082
Deferred income tax assets:		
- Trade and other payables	(7,013)	(8,743)
- Employee benefits	(29,961)	(24,539)
- Change in market value of derivative	-	(1,100)
- Capital raising costs	(108,861)	(81,189)
- Provisions	(493)	-
- Tax losses available to offset DTL	(2,547,227)	(1,268,511)
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 $24,423,633 (2017: $20,269,956).

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	
	2018 $	2017 $
Cash at bank and on hand	353,797	410,365
Short-term deposits	4,876,325	3,150,000
	5,230,122	3,560,365

The weighted average interest rate for the year was 2.05% (2017: 2.28%).

The Group's exposure to interest rate risk is set out in Note 23. 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	
	2018 $	2017 $
Current		
Research and development tax concession	-	236,366
GST receivable	86,329	126,334
Other	28,321	73,095
	114,650	435,795

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 these amounts will be received when due. The Group's financial risk management objectives and policies are set out in Note 23.

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	
	2018 $	2017 $
Accrued interest	14,611	10,307
	14,611	10,307

NOTE 9: FINANCIAL ASSETS

a) Derivative financial instruments

	CONSOLIDATED	
	2018 $	2017 $
Current		
Opening balance	37,000	-
Acquisition	-	41,000
Change in fair value	418,000	(4,000)
Closing balance	455,000	37,000

b) Available-for-sale financial assets

	CONSOLIDATED	
	2018 $	2017 $
Non-Current		
Opening balance	140,000	-
Acquisition	-	123,211
Change in fair value	470,000	16,789
Closing balance	610,000	140,000

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
Plant and equipment		
- At cost	224,344	224,344
- Acquisitions	9,763	-
- Accumulated depreciation	(221,513)	(217,094)
Total plant and equipment	12,594	7,250
Motor vehicles		
- At cost	166,545	166,545
- Accumulated depreciation	(133,646)	(124,985)
Total motor vehicles	32,899	41,560
Total property, plant and equipment	45,493	48,810

Movement in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the year:

	Plant and equipment $	Motor vehicles $	Total $
2018 – Consolidated			
Balance at the beginning of the year	7,250	41,560	48,810
Acquisitions	9,763	-	9,763
Depreciation expense	(4,419)	(8,661)	(13,080)
Carrying amount at the end of the year	12,594	32,899	45,493
2017 – Consolidated			
Balance at the beginning of the year	10,866	52,574	63,440
Depreciation expense	(3,616)	(11,014)	(14,630)
Carrying amount at the end of the year	7,250	41,560	48,810

NOTE 11: EXPLORATION AND EVALUATION

	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
Opening balance	5,022,031	6,020,245
Exploration expenditure incurred during the year	3,775,215	3,941,619
Acquisition of remaining Cue joint venture interest (i)	1,500,000	-
Impairment expense	(41,108)	(4,749,163)
Tenements sold	-	(190,670)
Closing balance	10,256,138	5,022,031

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.

NOTE 11: EXPLORATION AND EVALUATION (Continued)

The recoverability of the carrying amount of deferred exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest. As a result, an impairment of $41,108 (2017: $4,749,163) has been booked.

NOTE 12: SUBSIDIARIES

Details of the Company's subsidiary are as follows:

Subsidiary	Principal activity	Country of incorporation	Proportion of ownership	
			2018	2017
Musgrave Exploration Pty Ltd	Exploration	Australia	100%	100%

NOTE 13: TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2018 $	2017 $
Trade creditors	455,422	282,605
Other payables	75,447	106,767
	530,869	389,372

Trade creditors are 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 23. Due to the short-term nature of these payables their carrying value is assumed to approximate their fair value.

NOTE 14: PROVISIONS

	CONSOLIDATED	
	2018 $	2017 $
Short-term		
Annual leave	46,530	41,505
Long service leave – current	62,420	37,488
	108,950	78,993
Long-term		
Long service leave	-	10,238
	-	10,238

NOTE 15: CONTRIBUTED EQUITY

a) Share capital

	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
Ordinary shares fully paid	39,436,729	32,646,322

b) Movements in ordinary shares on issue

	CONSOLIDATED Number	CONSOLIDATED $
Balance at 1 July 2016	125,032,258	26,793,899
Placement – 6 July 2016	12,711,864	750,000
Exercise of Employee Options – 20 July 2016	200,000	9,000
Share Purchase Plan – 11 August 2016	33,627,084	1,983,998
Placement – 16 August 2016	8,474,576	500,000
Placement – 19 May 2017	40,000,000	3,000,000
Share issue costs	-	(390,575)
Balance at 30 June 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

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 2018 Number	CONSOLIDATED 2017 Number
Balance at beginning of the financial year	5,375,000	2,200,000
Options granted	5,500,000	3,750,000
Options exercised	(400,000)	(200,000)
Options expired/lapsed	(575,000)	(375,000)
Balance at end of the financial year	9,900,000	5,375,000

NOTE 16: RESERVES

	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
Share option reserve		
Opening balance	303,494	64,503
Issue of director options	141,570	255,379
Issue of employee options under the Employee Share Option Plan	97,988	-
Exercise of employee options	(36,938)	(3,870)
Expiry of options	(21,627)	(12,518)
Balance at the end of the financial year	484,487	303,494

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

	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
Assets held for sale reserve		
Opening balance	16,789	-
Available for sale financial assets (change in fair value)	470,000	16,789
Balance at the end of the financial year	486,789	16,789
Total Reserves	971,276	320,283

NOTE 17: ACCUMULATED LOSSES

	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
Balance at the beginning of the financial year	(24,190,900)	(18,966,813)
Net loss attributable to members	(189,475)	(5,240,475)
Transfer from share option reserve	58,565	16,388
Balance at the end of the financial year	(24,321,810)	(24,190,900)

NOTE 18: EARNINGS PER SHARE

	2018 Cents	2017 Cents
Basic loss per share	0.07	2.92
Diluted loss per share	0.07	2.92

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

	2018 $	2017 $
Profits/(losses) used in calculating basic and diluted earnings per share	(189,475)	(5,240,475)

	2018 Number	2017 Number
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	265,146,411	179,467,936

NOTE 19: AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2018 $	2017 $
Audit services		
Grant Thornton Audit Pty Ltd		
- Audit and review of the financial reports	32,300	30,750
Total remuneration	32,300	30,750

NOTE 20: 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.

Contingent assets

The Group had contingent assets in respect of:

Future royalty payments

In January 2014, the Group entered in to 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.

There are no other material contingent assets or liabilities as at 30 June 2018.

NOTE 21: EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 3 July 2018 Musgrave executed a non-binding Term Sheet with Westgold that provides a near-term development pathway for the existing gold resources at its Cue Project. The Term Sheet outlines the scope of a Mine Management and Profit Sharing arrangement whereby Musgrave will receive 50% of profits from operations that will be financed, managed and operated by Westgold, an established and highly experienced Australian gold producer.

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

NOTE 22: 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 $901,940 (2017: $970,900) per annum.

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

	CONSOLIDATED	
	2018 $	2017 $
Within one year	62,547	12,000
Later than one year but not later than five years	103,259	-
Later than five years	-	-
	165,806	12,000

NOTE 23: 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
- Liquidity risk
- Commodity 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.

The Group's principal financial instruments are cash, short-term deposits, receivables and payables.

NOTE 23: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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.

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			Non-interest bearing	Total
		1 year or less	Over 1 to 5 years	More than 5 years		
	$	$	$	$	$	$
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
Available-for-sale financial assets	-	-	-	-	610,000	610,000
	353,497	4,876,325	-	-	724,950	5,954,772
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	-	-	-	-	-	-
Consolidated – 2017						
Financial assets						
Cash and cash equivalents	410,065	3,150,000	-	-	300	3,560,365
Trade and other receivables	-	-	-	-	435,795	435,795
Available-for-sale financial assets	-	-	-	-	140,000	140,000
	410,065	3,150,000	-	-	576,095	4,136,160
Weighted average interest rate	1.17%	2.48%	-	-	-	-
Financial liabilities						
Trade and other payables	-	-	-	-	389,372	389,372
	-	-	-	-	389,372	389,372
Weighted average interest rate	-	-	-	-	-	-

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

NOTE 23: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Cash flow sensitivity analysis for variable rate instruments

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:

	Carrying value at period end $	Profit or loss		Equity	
		100 bp increase $	100 bp decrease $	100 bp increase $	100 bp decrease $
Consolidated – 2018					
Financial assets					
Cash and cash equivalents	5,230,122	32,186	(32,186)	32,186	(32,186)
Cash flow sensitivity (net)		32,186	(32,186)	32,186	(32,186)
Consolidated – 2017					
Financial assets					
Cash and cash equivalents	3,560,365	29,045	(29,045)	29,045	(29,045)
Cash flow sensitivity (net)		29,045	(29,045)	29,045	(29,045)

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 doubtful debts.

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 at the reporting date was:

	CONSOLIDATED	
	2018 $	2017 $
Cash and cash equivalents	5,230,122	3,560,365
Trade and other receivables	114,650	435,795
	5,344,772	3,996,160

Foreign currency risk

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

NOTE 23: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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.

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

	Carrying amount $	Contractual cash flows $	6 months or less $
Consolidated – 2018			
Trade and other payables	530,869	-	530,869
	530,869	-	530,869
Receivables	114,650	-	114,650
	114,650	-	114,650
Consolidated – 2017			
Trade and other payables	389,372	-	389,372
	389,372	-	389,372
Receivables	435,795	-	435,795
	435,795	-	435,795

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
- Level 3: unobservable inputs for the asset or liability

NOTE 23: 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 2018 and 30 June 2017:

	Level 1 $	Level 2 $	Level 3 $	Total $
30 June 2018				
Available for sale financial assets	610,000	-	-	610,000
	610,000	-	-	610,000
30 June 2017				
Available for sale financial assets	140,000	-	-	140,000
	140,000	-	-	140,000

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 payables and provisions detailed in Notes 13 and 14 offset by cash and bank balances) and equity of the Group (comprising contributed equity and reserves, offset by accumulated losses detailed in Notes 15, 16 and 17).

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 24: 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.

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

NOTE 24: SHARE-BASED PAYMENTS (Continued)

Option series	Number	Grant date	Expiry date	Vesting date	Exercise price	Fair value at grant date
F (1)	500,000	6 Mar 2013	5 Mar 2018	Immediate	$0.25	$0.0431
H	300,000	11 Mar 2014	10 Mar 2019	Immediate	$0.12	$0.0522
J	250,000	16 Sep 2015	10 Mar 2019	Immediate	$0.120	$0.0046
L (1)	75,000	16 Sep 2015	23 Mar 2018	Immediate	$0.250	$0.0010
M	500,000	22 Apr 2016	22 Apr 2021	Immediate	$0.045	$0.0194
N (2)	400,000	4 Nov 2016	22 Apr 2021	Immediate	$0.045	$0.0923
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

(1) These options expired during the financial year.
(2) These options were exercised during the financial year.

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 $239,558.

The model inputs for options granted during the year ended 30 June 2018 are as follows:

Inputs	Issue Q	Issue R
Exercise price	$0.097	$0.097
Grant date	29 Nov 2017	29 Nov 2017
Expiry date	29 Nov 2020	29 Nov 2020
Share price at grant date	$0.065	$0.065
Expected price volatility	117.0%	117.0%
Expected dividend yield	0%	0%
Risk-free interest rate	1.86%	1.86%

Movements in share options during the year

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

	2018		2017	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding at the beginning of the year	5,375,000	0.15	2,200,000	0.15
Granted and vested during the year	5,500,000	0.097	3,750,000	0.16
Exercised during the year	(400,000)	0.045	(200,000)	0.045
Expired during the year	(575,000)	0.25	(375,000)	0.25
Outstanding at the end of the year	9,900,000	0.12	5,375,000	0.15
Exercisable at the end of the year	9,900,000	0.12	5,375,000	0.15

NOTE 24: SHARE-BASED PAYMENTS (Continued)

The weighted average remaining contractual life of share options outstanding at the end of the year was 2.14 years (2017: 2.64 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 $	2018 Number	2017 Number
5 March 2018	0.25	-	500,000
23 March 2018	0.25	-	75,000
10 March 2019	0.12	550,000	550,000
22 April 2021	0.045	500,000	900,000
3 November 2019	0.167	2,550,000	2,550,000
3 November 2021	0.195	800,000	800,000
29 November 2020	0.097	5,500,000	-
Totals		9,900,000	5,375,000

NOTE 25: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2018 $	2017 $
Cash flows from operating activities		
Loss for the period	(189,475)	(5,240,475)
Non-cash flows in profit/(loss):		
- Depreciation	13,080	14,630
- Impairment expense	41,108	4,749,163
- Field related internal charges	-	-
- Share based remuneration	239,558	255,379
- (Gain)/Loss on sale of assets	-	26,459
- Change in fair value of derivative financial instruments	(418,000)	4,000
- Research and development tax concession	236,366	(236,366)
Changes in assets and liabilities		
- Decrease/(Increase) in trade and other receivables	(30,070)	(155,917)
- Decrease/(Increase) in other current assets	(4,304)	2,281
- Increase/(Decrease) in trade and other payables	(23,288)	12,961
- Increase/(Decrease) in employee entitlements	19,719	9,347
Net cash used in operating activities	(115,306)	(558,538)

Non-cash investing and financing activities

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

NOTE 26: RELATED PARTY DISCLOSURE

a) Parent entity

	Class	Country of incorporation	Investment at cost 2018 $	Investment at cost 2017 $
Musgrave Minerals Limited	Ordinary	Australia	-	-

b) Subsidiaries

	Class	Country of incorporation	Investment at cost 2018 $	Investment at cost 2017 $
Musgrave Exploration Pty Ltd	Ordinary	Australia	100	100

c) Key management personnel compensation

	2018 $	2017 $
Short-term employee benefits	423,716	421,055
Post-employment benefits	34,078	38,880
Bonus payments	-	53,211
Share-based payments	141,570	255,379
	599,364	768,525

Detailed remuneration disclosures are provided in the Remuneration Report.

NOTE 27: PARENT ENTITY DISCLOSURE

	2018 $	2017 $
Financial Performance		
Profit/(loss) for the year	(189,475)	(5,240,475)
Other comprehensive income	470,000	16,789
Total comprehensive profit/(loss)	280,525	(5,223,686)
Financial Position		
ASSETS		
Current assets	5,814,383	4,043,467
Non-current assets	10,911,631	5,210,841
TOTAL ASSETS	16,726,014	9,254,308
LIABILITIES		
Current liabilities	639,819	468,365
Non-current liabilities	-	10,238
TOTAL LIABILITIES	639,819	478,603
NET ASSETS	16,086,195	8,775,705
EQUITY		
Contributed equity	39,436,729	32,646,322
Reserves	971,276	320,283
Accumulated losses	(24,321,810)	(24,190,900)
TOTAL EQUITY	16,086,195	8,775,705

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 2018 other than the commitment in relation to the lease of office premises as disclosed in Note 22.

DIRECTORS' DECLARATION

The Directors of Musgrave Minerals Limited declare that:

1) in the Directors' opinion, the financial statements and notes set out on pages 21 to 52 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 Company's financial position as at 30 June 2018 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 2018.

Signed in accordance with a resolution of the Directors.

Mr Graham Ascough
Chairman

Perth, Western Australia

19 September 2018

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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 subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, 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:

a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

b 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 auditor independence requirements of 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 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.

Key audit matter	How our audit addressed the key audit matter
Exploration and evaluation assets – refer to Note 2(m) and 11	
At 30 June 2018, the carrying value of exploration and evaluation assets was $10.256 million. In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value. The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement. This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.	Our procedures included, amongst others: • obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger; • reviewing management's area of interest considerations against AASB 6; • conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including; o tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed; o enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure; o understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale; • assessing the accuracy of impairment recorded for the year as it pertained to exploration interests; and • assessing the appropriateness of the related financial statement disclosures.
Available for Sale Financial Assets and Derivative Financial Instruments – refer to Note 2(t) and 9	
On 28 February 2017, the Group entered into a Tenement Sale Agreement with Legend Mining in respect of the Group's non-core tenements in the Fraser Range area of Western Australia. Under the terms of the Agreement, Musgrave Minerals Limited transferred to Legend Mining 100% of its interests in tenements E28/2404 and E28/2405 and as consideration for the sale received: - 10,000,000 fully paid ordinary shares in Legend, - 10,000,000 unlisted options exercisable at $0.04 exercisable by 30 March 2021.	Our procedures included, amongst others: • agreeing the receipt of shares and options to ASX announcements; • reviewing the terms and conditions of the options received; • reviewing the methodology and key inputs of the option valuation calculation, as at 30 June 2018; • recalculating the profit/ (loss) on disposal of the tenements in reference to the fair value of the shares and options received; • testing the calculation of fair value movements on the shares and options during the period to ensure these movements were recognised in 'other comprehensive income' and 'statement of profit or loss' respectively; and • assessing the adequacy of the Group's disclosures in respect to available for sale financial assets and derivative financial instruments.

In accordance with the Australian Accounting Standards, the consideration received at transaction date is recorded at fair value and subsequently revalued at each reporting date.

The calculation undertaken by management to estimate at fair value the Legend Mining options involves an element of management judgement.

This area is a key audit matter due to the significant judgement involved in determining the fair value of the available for sale financial assets and derivative financial instruments, driven by movements in financial markets.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our 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.

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 Group's ability 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 have 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 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 13 to 18 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Musgrave Minerals Limited, for the year ended 30 June 2018 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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner – Audit & Assurance

Perth, 19 September 2018