



INDEPENDENCE GROUP NL



MITHRIL
RESOURCES LTD

8 March 2011

Dear Eligible Shareholder

MUSGRAVE MINERALS LIMITED – ENTITLEMENT TO PARTICIPATE IN PRIORITY OFFER

You are being offered a priority application in an exciting new listing on ASX.

Please find enclosed a copy of the Musgrave Minerals Limited (**Musgrave Minerals**) replacement Prospectus dated 8 March 2011 (Prospectus) and a green Priority Offer Application Form.

Musgrave Minerals is a new exploration company that is dedicated to discovering deposits of economic mineralisation in the Musgrave Province of South Australia using systematic, well resourced exploration methods and programs.

Musgrave Minerals will have a leading exploration land holding in the Musgrave region, and will have a strong shareholder base with six mining and exploration companies participating as cornerstone investors.

The Prospectus invites subscriptions for 60 million ordinary shares at \$0.25 per share to raise \$15 million with a minimum subscription of \$10 million and the right to accept oversubscriptions up to \$5 million.

Of the 60 million shares being offered, 40 million shares are offered in priority to Mithril Resources Limited (**Mithril**) shareholders, Independence Group NL (**Independence Group**) shareholders, Goldsearch Limited (**Goldsearch**) shareholders and Integra Mining Limited (**Integra**) shareholders who are registered as holding a parcel of shares of not less than \$5,000 in Mithril, Independence Group, Goldsearch or Integra (as the case may be) at 5.00pm CST on 28 February 2011 (**Priority Offer**). Note applications under the Priority Offer will be allotted on a first-come-first-served basis.

If you wish to participate in the Priority Offer please read the Prospectus in its entirety and, if in any doubt, consult with your professional advisers before deciding whether or not to apply for shares.

If after reviewing the Prospectus you do decide to participate in the Priority Offer, **your completed green Priority Application Form must be received by Computershare Investor Services Pty Ltd at the address specified in the Priority Application Form by 5.00pm CST on 5 April 2011.**

Yours sincerely



Chairman
Mithril Resources Ltd



Chairman
Independence Group NL



Chairman
Goldsearch Ltd



Managing Director
Integra Mining Ltd



Musgrave Minerals Limited
ACN 143 890 671

Computershare

Please return completed form to:
Computershare Investor Services Pty Limited
GPO Box 2987 Adelaide
South Australia 5001
Enquiries (within Australia) 1300 136 848
(outside Australia) 61 3 9415 4177
web.queries@computershare.com.au
www.computershare.com

A Name and address in which Shares will be registered

000001

000
SAM

MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Application Number

01234567890

Musgrave Minerals Limited Priority Offer Application Form

This Application Form relates to the Priority Offer by Musgrave Minerals Limited of Shares made under a Replacement Prospectus lodged with the Australian Securities and Investments Commission on 8 March 2011.

The priority offer is not transferable and can only be taken up by the entity named on the Priority Application Form.

If you have made an Application under the Musgrave Minerals Limited Priority Offer via Bpay® you do not need to complete this Application Form.

This Application Form is important. If you are in doubt as to how to deal with it, please contact your broker or professional adviser without delay. You should read the entire Replacement Prospectus carefully before completing this Application Form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Replacement Prospectus.

Amount of your investment

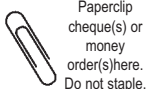
You must apply for a minimum of 8,000 Shares (A\$2,000.00) and thereafter in multiples of 1,000 Shares (A\$250.00) at A\$0.25 per Share. Your cheques and money orders must be in Australian dollars and drawn on an Australian Bank.

Acceptance of the Offer

Before completing the Application Form the applicant(s) should read the prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Shares in Musgrave Minerals Limited is upon and subject to the terms of the prospectus and the Constitution of Musgrave Minerals Limited and agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

127729 - V3

▼ PLEASE DETACH HERE ▼



Paperclip
cheque(s) or
money
order(s) here.
Do not staple.

Please write your Application Number on the reverse of the cheque or money order and complete the Cheque Drawer details below. Please note the account details are required for processing purposes only – we are unable to directly debit funds from your account. If you have any queries, please contact the Musgrave Minerals Limited Information Line on 1300 136 848 (within Australia) or + 61 3 9415 4177 (international).



Biller Code: 123456

Ref No: 1234 5678 9012 3456 78

B	I/we apply for	Number of Shares		@ A\$0.25	C	I/we lodge full Application Payment at A\$0.25 per Share	Amount	
		,					A\$, . 0 0	
D	Application Payment							
	Applicants completing this paper Application Form may make their Application Payment via cheque(s) or money order(s). Make your cheque or money order payable to 'Musgrave Minerals Limited Float Account'. Please see the reverse of this Application Form for information about paying via BPAY.							
E	Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque			
					A\$			
E	Contact Name				Telephone Number - During Business Hours			

1234567890123456+1234567890-1234+12

Guide to Completing the Musgrave Minerals Limited Priority Offer Application Form

A Registration Name and Postal Address

The Shares will be registered in the name(s) printed on the Application Form. If you wish to apply for Shares under a different name or address, you should complete the Application Form under the Public Offer which is included in the back of the Replacement Prospectus but note that you will no longer be entitled to a priority allocation. All communications to you from the Share Registry will be mailed to the address printed on the form.

B Shares Applied for

Enter the number of Shares you wish to apply for. The application must be for a minimum of 8,000 Shares (A\$2,000.00). Applications for greater than the minimum must be in multiples of 1,000 Shares (A\$250.00).

C Application Payment

Enter the amount of Application Payment. To calculate the amount, multiply the number of Shares by A\$0.25 per Share for each Share applied for. Please ensure you complete Section C of the Application Form.

D Payment Details

You can apply for shares utilising the payment options detailed below. Please note that funds are unable to be directly debited from your bank account.

By making your payment using either electronic means or by cheque, bank draft or money order, you confirm that you:

- agree to all of the terms and conditions as detailed in the Replacement Prospectus dated 8 March 2011

Your cheque, money order or bank draft must be made in Australian currency and drawn on an Australian branch of a financial institution. Such payment must be made payable to "Musgrave Minerals Limited Float Account" and crossed "Not Negotiable". Payments not properly drawn may be rejected.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the form where indicated. Cash will not be accepted. Receipt of payment will not be forwarded.

E Contact details

Enter your contact name and telephone number. This may be used to communicate other matters to you subject to Musgrave Minerals Limited's privacy statement. This is not compulsory but will assist us if we need to contact you.

Lodgement Instructions –Musgrave Minerals Limited Applicant (Priority Offer)

Application Payment

If your payment is being made by BPAY, you do not need to return the slip below. Your payment must be received by no later than 5.00PM Adelaide time on 5 April 2011. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Ensure you have read and accurately followed your banking institution's BPAY FAQ or other instructions prior to making multiple payments for multiple holdings under this offer. Neither CIS nor Musgrave Minerals Limited accepts any responsibility for loss incurred through incorrectly completed BPAY payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

If you are paying by cheque, bank draft or money order the slip below must be received by Computershare Investor Services Pty Limited (CIS) at the address below by no later than 5.00PM Adelaide time on 5 April 2011. You should allow sufficient time for this to occur. A reply paid envelope is enclosed. Return the slip below with cheque attached.

Musgrave Minerals Limited
COMPUTERSHARE INVESTOR SERVICES PTY LIMITED
GPO Box 2987,
Adelaide SA 5001
Australia

Neither CIS nor Musgrave Minerals Limited accepts any responsibility if you lodge the slip below at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for Musgrave Minerals Limited, for the purpose of maintaining registers of Shares, facilitating dividend payments and other corporate actions and communications. Your personal information may be disclosed to related bodies corporate of CIS, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act, you may be sent material (including marketing material) approved by Musgrave Minerals Limited in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au

If you have any enquiries concerning this Form or your Application, please contact Computershare Investor Services Pty Limited on 1300 136 848 (within Australia), or +61 3 9415 4177 (international).

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Payment Options:



Biller Code: 123456

Ref No: 1234 5678 9012 3456 78

Telephone & Internet Banking – BPAY

Call your bank, credit union or building society to make this payment from your cheque or savings account. More info: www.bpay.com.au



Application Number

01234567890

SAMPLE CUSTOMER
SAMPLE STREET
SAMPLE STREET
SAMPLE STREET
SAMPLE STREET
SAPLETOWN TAS 7000

PROSPECTUS



ACN 143 890 671

Prospectus for the offer of 60 million ordinary shares at an offer price of \$0.25 each to raise \$15 million with a minimum subscription of \$10 million and the right to accept oversubscriptions up to \$5 million.

Important Information This is an important document that should be read in its entirety. If you do not understand it, you should consult your professional advisors.

THE SHARES OFFERED BY THIS PROSPECTUS ARE OF A SPECULATIVE NATURE.

This is a Replacement Prospectus dated 8 March 2011. It replaces a Prospectus lodged with ASIC dated 28 February 2011 relating to shares of Musgrave Minerals Ltd.

Lead Manager to the Issue

B|W BLACKWOOD CAPITAL

Corporate Directory

Current Directors

Graham Ascough (Non-Executive Chairman)
Kelly Ross (Non-Executive Director)
John Percival (Non-Executive Director)

Incoming Director

Robert Waugh (Managing Director)

Company Secretary

Donald Stephens

Registered Office

c/- HLB Mann Judd (SA) Pty Ltd
82 Fullarton Road
NORWOOD SA 5067

Telephone: (08) 8130 2000

Facsimile: (08) 8363 1980

Website: www.musgraveminerals.com.au

Email: info@musgraveminerals.com.au

Principal Office

60 King William Road
GOODWOOD SA 5034

Telephone: (08) 8378 8200

Facsimile: (08) 8271 0037

Share Registrar

Computershare Investor Services Pty Ltd
Level 5
115 Grenfell Street
ADELAIDE SA 5000

Auditors and Investigating Accountants

Grant Thornton Audit Pty Ltd
Level 1
67 Greenhill Road
WAYVILLE SA 5034

Solicitors to the Company

O'Loughlins Lawyers
Level 2
99 Frome Street
ADELAIDE SA 5000

Independent Technical Specialist

AMC Consultants Pty Ltd
Ground Floor
4 Greenhill Road
WAYVILLE SA 5034

Lead Manager to the Issue

Blackwood Capital Limited
Level 2
139 Macquarie Street
Sydney NSW 2000





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Important Information

Date

This is a replacement prospectus for Musgrave Minerals Limited (**Company** or **Musgrave Minerals**) dated 8 March 2011 (**Prospectus**) and a copy of this Prospectus was lodged with ASIC on that date. It replaces a prospectus dated 28 February 2011 (**Original Prospectus**) and lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus. The Original Prospectus was subject to an exposure period of seven days from the date of lodgment of the Original Prospectus with ASIC. This Prospectus is not subject to an exposure period due to ASIC Class Order 00/169. No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Application for Quotation

Application will be made within seven days after the date of this Prospectus for permission for the Shares offered by this Prospectus to be listed for Quotation on the securities market operated by ASX.

Electronic Prospectus

This Prospectus will be issued in paper form and as an electronic Prospectus which may be accessed on the internet at www.musgraveminerals.com.au. The offer of Shares pursuant to the electronic Prospectus is only available to persons receiving an electronic version of this Prospectus in Australia. The Corporations Act prohibits any person passing onto another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus. During the Offer Period, any person may obtain a hard copy of this Prospectus by contacting the Company by email at info@musgraveminerals.com.au.

Foreign Jurisdictions

This Prospectus does not constitute an offer in any place in which, or to persons to whom, it would not be lawful to make an offer. Distribution of this Prospectus in jurisdictions outside Australia may be restricted by law, and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No Authority

No person is authorised to give any information or to make any representation regarding the Offer. Any information or representation in relation to the Offer which is not contained in this Prospectus may not be relied upon as having been authorised by the Company or its Directors.

Speculative

The Shares offered by this Prospectus are of a speculative nature. Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisers before deciding whether to apply for Shares. The Shares offered under this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of the Shares.

Privacy

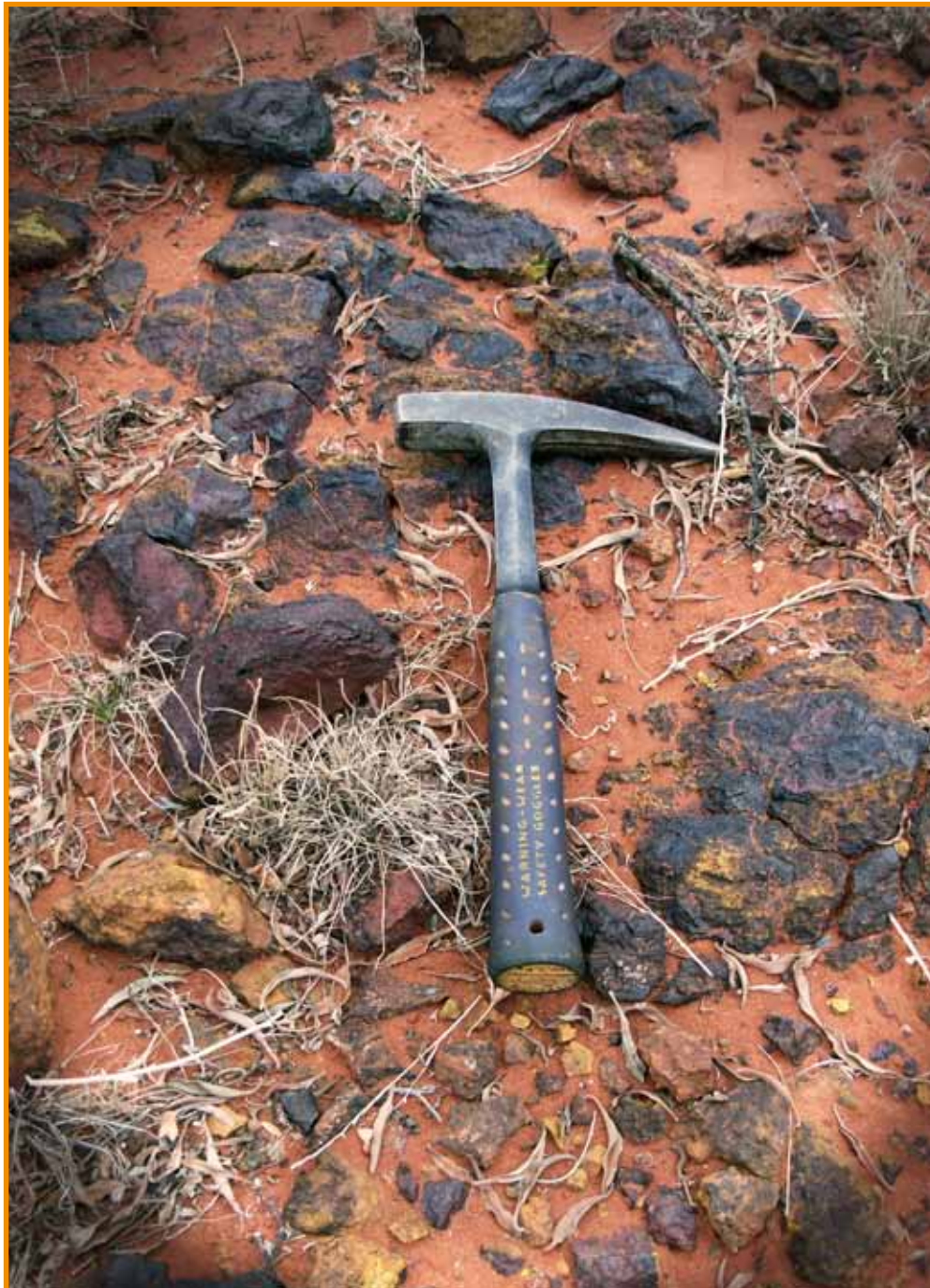
When you apply to invest in the Company, you will provide the Company and the Share Registrar with certain personal information to: (i) facilitate the assessment of the Application; (ii) enable the Company to assess the needs of applicants and provide appropriate facilities and services for applicants; and (iii) carry out appropriate administration. The Company and the Share Registrar may be required to disclose this information to: (i) third parties who carry out functions on behalf of the Company; and (ii) other third parties to whom disclosure is required by law. Applicants may request access to their personal information held by (or on behalf of) the Company by telephoning or writing to the Company Secretary.

Photographs and Diagrams

Items and undertakings depicted in photographs and diagrams in this Prospectus are not assets of the Company, unless otherwise stated. Diagrams appearing in this Prospectus are illustrative only and may not be drawn to scale.

Definitions

Throughout this Prospectus abbreviations and defined terms are used. Those relevant to mineral exploration are contained in the Glossary of Technical Terms in Section 4.6 of this Prospectus, and other abbreviations and legal terms are contained in the Definitions in Section 11.13 of this Prospectus. Defined terms are generally identified by the uppercase first letter.



Investment Highlights and Risks

Investment Highlights

- Musgrave Minerals is dedicated to growing shareholder value through the discovery of new deposits of economic mineralisation in the Musgrave Province of South Australia.
- Subject to completion of the Tenement Sale Agreements referred to in Section 10 of this Prospectus and the grant of the ELAs referred to in them, Musgrave Minerals will have the leading exploration land holding in the Musgrave Province with interests covering approximately 50,000km², equating to approximately 5% of the State of South Australia.
- Six mining and exploration companies have participated in the creation of Musgrave Minerals as cornerstone investors. The companies are Mithril Resources Limited, Independence Group NL, Goldsearch Limited, Integra Mining Limited, Argonaut Resources NL and Barrick (PD) Australia Limited.
- An initial exploration program funded by cornerstone investors has identified new mineralisation, delineated new drill targets and advanced a number of conceptual targets to a drill test decision, demonstrating Musgrave Minerals' ability to be an effective explorer in the region.
- The Musgrave Province is one of the last under explored exploration frontiers in Australia and is prospective for a number of commodities with demonstrated potential to host large nickel sulphide resources.
- Musgrave Minerals will be well resourced to aggressively pursue a pipeline of quality drill ready targets and untested mineral occurrences.
- Musgrave Minerals has an experienced exploration team and highly regarded management team. The incoming Managing Director, Mr. Robert Waugh and the Exploration Manager, Dr Justin Gum, have first-hand exploration and discovery experience in the Musgrave region.

Risks

- The shares offered by this Prospectus are of a speculative nature.
- Exploration work across the Musgrave Province is at an early stage and there is no certainty that Musgrave Minerals will identify economic mineralisation or develop profitable mining operations.
- Access difficulties may inhibit or restrict future exploration or development programs.
- Musgrave Minerals is operating on Anangu Pitjantjatjara Yankunytjatjara (APY) lands and APY consent is required to facilitate exploration and development activities to new areas.
- Market conditions might dictate that sufficient funds to conduct exploration cannot subsequently be raised.
- The presence of geological indications and interpreted prospectivity does not mean there are economic mineral deposits in the region.
- Completion of the Tenement Sale Agreements referred to in Section 10 of this Prospectus may not occur and the ELAs referred to in them may not be granted.
- Investors should ensure they read Section 5 of this Prospectus for further detail of the risks associated with an investment in Musgrave Minerals.

----- The above information is explained more fully in this Prospectus -----

Chairman's Letter

28 February 2011

Dear Investors

It is with great pleasure that I invite you, on behalf of the Board of Directors, to become a shareholder in Musgrave Minerals Limited (**Company** or **Musgrave Minerals**).

An investment in Musgrave Minerals provides you with exposure to an exploration company that is dedicated to discovering deposits of economic mineralisation in the Musgrave Province of South Australia using systematic, well resourced exploration methods and programs.

Subject to completion of the Tenement Sale Agreements referred to in Section 10 of this Prospectus and the grant of the ELAs referred to in them, Musgrave Minerals will have a massive exploration footprint. The Company will have a leading exploration land holding in the Musgrave region, with tenements covering an area of approximately 50,000km² – which equates to approximately 5% of the State of South Australia.

Musgrave Minerals has a powerful shareholder base with six mining and exploration companies participating as cornerstone investors in the newly formed Company.

The Company raised pre-IPO funds of \$1.5 million and has successfully completed an initial phase of exploration that has identified new mineralisation, delineated new drill targets and advanced a number of conceptual targets to a drill test decision. This initial program clearly demonstrates the Company's ability to be an effective explorer in the region and validates the Company's exploration strategy and targeting methodologies.

The Musgrave Province is one of the last under-explored exploration frontiers in Australia and is prospective for a number of commodities. The centrepiece is the recognition of, and access to, the unexplored potential of the Giles Complex, a 1080Ma aged mafic-ultramafic layered intrusive complex that hosts significant nickel and copper sulphide deposits (such as the Nebo/Babel deposit) in the Western Australian portion of the Province.

In South Australia, the Musgrave Province lies almost entirely within Anangu Pitjantjatjara Yankunytjatjara land (Aboriginal freehold land) and the Company will endeavour to build on the strong relationship with Anangu Pitjantjatjara Yankunytjatjara that the cornerstone investor companies have developed.

Historically, exploration activities in the region have been restricted, but access has improved considerably in recent times and the Company will hold seven granted exploration licences with cleared exploration access to areas totalling more than 3,200km². We also expect to see the grant of eight additional tenements shortly after the completion of the IPO.

Much of the area has undergone little or no systematic exploration and has considerable untested mineral prospectivity as it has not been subjected to modern day exploration techniques and concepts.

The offer detailed in this Prospectus invites subscriptions for 60 million ordinary shares at an offer price of \$0.25 per share to raise \$15 million with a minimum subscription of \$10 million and the right to accept oversubscriptions up to \$5 million. Eligible Mithril Resources Limited (a company of which I am a director and shareholder) shareholders, Independence Group NL (a company of which our director Kelly Ross is a director and shareholder) shareholders, Goldsearch Limited (a company of which our director John Percival is a director and shareholder) shareholders and Integra Mining Limited shareholders may participate in the Priority Offer described in Section 1.5 of this Prospectus, while all other investors are invited to participate in the Public Offer described in Section 1.6 of this Prospectus.

As the shares offered by this Prospectus are of a speculative nature I encourage all potential investors to review this Prospectus thoroughly and, in particular, consider the risk factors presented in Section 5 of this Prospectus prior to making an investment decision.

Once again, on behalf of the Board of Directors, I look forward to welcoming you as a shareholder of the Company and thereby sharing with you in our future growth.

Yours sincerely



Graham Ascough

1. Offer Details

1.1 Description of the Offer

This Prospectus invites subscriptions for 60 million Shares at an issue price of \$0.25 per Share to raise \$15 million with a minimum subscription of \$10 million and the right to accept oversubscriptions up to \$5 million. All Shares issued pursuant to this Prospectus will be issued as fully paid ordinary shares and will rank equally in all respects with the Shares already on issue. The rights attaching to the Shares are summarised in Section 11.4 of this Prospectus.

The Offer under the Prospectus consists of:

- a Priority Offer exclusively to Mithril Shareholders, Independence Group Shareholders, Goldsearch Shareholders and Integra Shareholders (see Section 1.5 of this Prospectus); and
- a Public Offer which is available to all public investors (see Section 1.6 of this Prospectus).

If the minimum subscription for the Offer is not achieved within four months after the date of this Prospectus, all Applications will be dealt with in accordance with the Corporations Act.

1.2 Opening and Closing Dates

Subscription lists will open on the Opening Date and will remain open until 5.00 pm CST on the Priority Offer Closing Date in respect of the Priority Offer and 5.00 pm CST on the Closing Date in respect of the Public Offer subject to the right of the Company to close either the Priority Offer or the Public Offer at an earlier time and date or to extend the closing time and date of either the Priority Offer or the Public Offer without prior notice. Applicants are encouraged to submit their Applications as early as possible.

1.3 Indicative Timetable

Opening Date	8 March 2011
Priority Offer Closing Date	5 April 2011
Closing Date	8 April 2011
Allotment of Shares	15 April 2011
Despatch of Statements of Shareholding	21 April 2011
Quotation of Shares on ASX expected to commence	29 April 2011

The above dates are indicative only



1.4 Purpose of the Issue

The purpose of the Issue is to raise the necessary funds to allow the continued exploration of the projects described in this Prospectus.

The proposed application of funds over two calendar years from the date on which the Shares allotted under this Prospectus are quoted on ASX is as follows:

	Minimum Subscription	Full Subscription with no Oversubscriptions	Full Oversubscriptions
Total raised in the Issue	\$10,000,000	\$15,000,000	\$20,000,000
Application of funds:			
Exploration Expenditure (budget for first two years)	\$7,770,000	\$12,470,000	\$17,270,000
Expenses of the Issue	\$750,000	\$1,050,000	\$1,250,000
Administration	\$980,000	\$980,000	\$980,000
General Working Capital	\$500,000	\$500,000	\$500,000
Total Funds Applied	\$10,000,000	\$15,000,000	\$20,000,000

The Directors are satisfied that if the Issue achieves at least the minimum subscription, the Company will have enough working capital to carry out its stated objectives for a period of at least two years.

Details of the proposed exploration programmes and the associated expenditures are provided in Section 4 of this Prospectus.

1.5 Priority Offer – Mithril Shareholders, Independence Group Shareholders, Goldsearch Shareholders and Integra Shareholders

Of the 60 million Shares being offered, 40 million Shares will be offered in priority to Mithril Shareholders, Independence Group Shareholders, Goldsearch Shareholders and Integra Shareholders who are registered as holding a parcel of shares of not less than \$5,000 in Mithril, Independence Group, Goldsearch or Integra (as the case may be) at 5.00pm CST on 28 February 2011 (**Priority Offer**).

Eligible Mithril Shareholders, Independence Group Shareholders, Goldsearch Shareholders and Integra Shareholders may apply for as many Shares as they wish under the Priority Offer (subject to the requirements referred to in Section 1.7 of this Prospectus).

The priority given to Mithril Shareholders, Independence Group Shareholders, Goldsearch Shareholders and Integra Shareholders will be in respect of Shares applied for by each qualifying Applicant, provided that the total Shares issued to Mithril Shareholders, Independence Group Shareholders, Goldsearch Shareholders and Integra Shareholders does not exceed 40 million Shares. Applications under the Priority Offer will be allotted on a first-come first-served basis and the final allocation decision will be at the sole discretion of the Board.

Should Applications from qualifying Mithril Shareholders, Independence Group Shareholders, Goldsearch Shareholders and Integra Shareholders exceed 40 million Shares available under the Priority Offer, they will be considered as part of the Public Offer.

Mithril Shareholders, Independence Group Shareholders, Goldsearch Shareholders and Integra Shareholders need to use the Priority Application Form attached to this Prospectus and this must be received on or before the Priority Offer Closing Date. Priority Application Forms received after the Priority Offer Closing Date will be treated as Applications in the Public Offer.

Any Shares not subscribed for under the Priority Offer will be available under the Public Offer.

1.6 Public Offer

Of the 60 million Shares being offered, 20 million Shares (as well as Shares not subscribed for under the Priority Offer) will be available to the general public under the Public Offer. Applications for Shares by general investors must be made on the Public Application Form attached to this Prospectus and this must be received on or before the Closing Date. The Company has the right to accept oversubscriptions of up to 20 million Shares.

1.7 Applications for Shares

Applications must be for a minimum of 8,000 Shares (\$2,000) and thereafter in multiples of 1,000 Shares and can only be made by completing the relevant Application Form attached to this Prospectus. The Company reserves the right to reject any Application or to allocate any investor fewer Shares than the number applied for.

1.8 How to Apply

Applications under the Offer may be made, and will only be accepted, in one of the following forms:

- on the relevant Application Form accompanying this Prospectus; or
- on a paper copy of the relevant electronic Application Form which accompanies the electronic version of this Prospectus, both of which can be found at and can be downloaded from www.musgraveminerals.com.au.

Mithril Shareholders, Independence Group Shareholders, Goldsearch Shareholders and Integra Shareholders who are eligible to participate in the Priority Offer can apply using BPay. To do so, they should follow the instructions on the Priority Application Form.

Applicants under the Public Offer are not able to apply using BPay.

Paper Application Forms, whether accompanying a paper copy of this Prospectus or which have been downloaded from www.musgraveminerals.com.au, must be accompanied by a personal cheque or a bank draft payable in Australian dollars, drawn on an Australian branch of an Australian registered bank for an amount equal to the number of Shares for which you wish to apply multiplied by the Application Price of \$0.25 per Share. Cheques or bank drafts should be made payable to 'Musgrave Minerals Limited Float Account' and crossed 'Not Negotiable'.

Applicants should ensure that cleared funds are available at the time the Application is lodged, as dishonoured cheques will result in the Application being rejected.

Applicants should return their completed Application Forms to the Share Registrar at the address set out on the Application Form by no later than 5.00 pm CST on 5 April 2011 for those applying under the Priority Offer and by no later than 5.00 pm CST on 8 April 2011 for those applying under the Public Offer.

Detailed instructions on how to complete paper Application Forms are set out on the reverse of those forms. You are not required to sign the Application Form. The Company reserves the right to reject any Application (including where an Application has not been correctly completed) or allocate any person fewer Shares than that person applied for, or vary the dates and times of the Offer without prior notice and independently of other parts of the Offer. Where Applications are rejected or fewer Shares are allotted than applied for, surplus Application Monies will be refunded. No interest will be paid on any Application Monies refunded.



1.9 Proforma Capital Structure

The proforma capital structure of the Company is set out below to reflect the issued and paid up capital structure of the Company under the three possible scenarios of the Offer:

- Minimum subscription of \$10 million
- Fully subscribed Offer of \$15 million with no oversubscriptions
- Fully subscribed Offer of \$15 million with maximum oversubscriptions of \$5 million

Proforma Capital Structure of the Company

Shares	Minimum subscription		Fully subscribed with no oversubscriptions		Fully subscribed with maximum oversubscriptions	
	Number	% Holding	Number	% Holding	Number	% Holding
Existing Shares	17,000,000	20.99	17,000,000	16.83	17,000,000	14.05
Vendor Shares	24,000,000	29.63	24,000,000	23.76	24,000,000	19.83
Shares issued pursuant to this Prospectus	40,000,000	49.38	60,000,000	59.41	80,000,000	66.12
Total	81,000,000	100.00	101,000,000	100.00	121,000,000	100.00

Shares subject to escrow (2 years from Quotation)

Shares	Number (Anticipated)	Minimum subscription	Fully subscribed with no oversubscriptions	Fully subscribed with maximum oversubscriptions
		% Holding	% Holding	% Holding
Existing Shares	11,000,000	13.58	10.89	9.09
Vendor Shares	24,000,000	29.63	23.76	19.83
Total	35,000,000	43.21	34.65	28.93

Unlisted Options

Issued to Vendors*	7,750,000
Issued to Directors**	2,250,000
Issued to the incoming Managing Director***	5,000,000
Total	15,000,000

* See Section 11.10(d) of this Prospectus for the terms and conditions of these Options.

** See Section 11.10(b) of this Prospectus for the terms and conditions of these Options.

*** See Section 11.10(c) of this Prospectus for the terms and conditions of these Options.

1.10 Allotment and Allocation of Shares

Subject to ASX granting approval for the Company to be admitted to the Official List, the allotment of Shares to Applicants will occur as soon as possible after the Offer is closed, following which statements of Shareholdings will be dispatched. It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants who sell their Shares before they receive their holding statements will do so at their own risk. Pending the issue of the Shares or return of the Application Monies, the Application Monies will be held in trust for the Applicants.

The Company has the right to allocate the Shares under the Offer. The Company may reject any Application or allocate any investor fewer Shares than applied for under the Offer. If an Application is not accepted, or is accepted in part only, the relevant part of the Application Monies will be refunded. Interest will not be paid on Application Monies refunded.

1.11 Handling Fees

The Company may pay a handling fee in respect of Applications under the Offer lodged by any member organisation of ASX, or the holder of an Australian financial services licence, and accepted by the Company, provided the relevant stamp for the organisation is on the Application Form.

1.12 Stock Exchange Listing

Within seven days after the date of this Prospectus application will be made to ASX for the Company to be admitted to the Official List and for the Shares offered by this Prospectus to be granted Quotation. If approval for Quotation is not granted within three months after the date of this Prospectus, the Company will not allot or issue any Shares pursuant to the Offer and will repay all Application Monies without any interest as soon as practicable. The fact that ASX may admit the Company to its Official List is not to be taken in any way as an indication of the merits of the Company or the Shares offered pursuant to this Prospectus.

1.13 CHESS

The Company proposes participating in CHESS, operated by ASTC, a wholly owned subsidiary of ASX, in accordance with the Listing Rules and ASTC Settlement Rules.

Under this system, the Company will not issue certificates to investors. Instead, Shareholders will receive a statement of their holdings in the Company.

If an investor is broker sponsored, ASTC will send them a CHESS statement. The CHESS statement will set out the number of Shares allotted to the investor under this Prospectus, give details of the Shareholder's holder identification number and give the participant identification number of the sponsor.

Alternatively, if an investor is registered on the issuer sponsored subregister, the statement will be dispatched by the Share Registrar and will contain the number of Shares allotted under this Prospectus and the Shareholder's security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. A Shareholder may request a statement at any other time, however a charge may be made for additional statements.

1.14 Overseas Investors

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Lodgment of a duly completed Application Form will be taken by the Company as to constitute a representation that there has been no breach of such laws.

No action has been taken to register or qualify the Shares, or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

The Offer pursuant to an electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia.

1.15 Privacy Act

The Company collects information about each Applicant from the Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's Shareholding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registrar, the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), ASX, ASIC and other regulatory authorities.

If an Applicant becomes a Shareholder of the Company, the Corporations Act requires the Company to include information about the Shareholder (name, address and details of the Shares held) in its public register. This information must remain in the register even if that person ceases to be a Shareholder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

1.16 Taxation

The Australian taxation consequences of any investment in Shares will depend upon the investor's particular circumstances. It is an obligation of investors to make their own enquiries concerning the taxation consequences of an investment in the Company. If you are in doubt as to the course of action you should take, you should consult your professional advisers.

1.17 Restricted Securities

As a condition of admitting the Company to the Official List, ASX is expected to classify certain Shares and Options held prior to the date of this Prospectus as escrowed securities (see Section 1.9 of this Prospectus). Prior to Quotation it will be necessary for these Shareholders and Optionholders to enter into restriction agreements with the Company. The effect of the restriction agreements will be that the restricted securities cannot be dealt with for a period as determined by ASX. Details of any determination by ASX will be released to the market prior to commencement of trading in the Shares.

1.18 Investment Risks

The investment offered herein is speculative, as the Tenements detailed in this Prospectus are at an exploration stage without proven economic reserves.

Further information on risk is provided in Section 5 of this Prospectus.

1.19 Dividend Policy

The Company does not yet have a dividend policy. The Company has no immediate intention to declare or distribute dividends. Payment of future dividends will depend upon the future profitability and financial position of the Company.

1.20 Financial Forecasts

The Directors believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

1.21 No Underwriting

The Issue is not underwritten.

1.22 Lead Manager

Blackwood Capital Limited has agreed to act as Lead Manager to the offer. Details of the appointment of Blackwood Capital Limited, including fees payable, are set out in Section 10.10 of this Prospectus.





2. Directors and Corporate Governance

2.1 Directors and Management

Musgrave Minerals will be led by a Board and management team with strong technical and commercial skills and significant experience in the Australian resources industry.

Current Directors

The Directors of the Company as at the date of this Prospectus are:

Graham Ascough BSc, MAusIMM, PGeo (Chairman, Non-Executive Director)

Graham Ascough has more than 22 years of industry exploration experience evaluating mineral projects and resources in Australia and overseas. Mr Ascough has been Managing Director of ASX listed Mithril Resources Limited since October 2006. He is a geophysicist by training and prior to joining Mithril Resources Limited, Mr Ascough was the Australian Manager of Nickel and PGM Exploration at the major Canadian resources house, Falconbridge Limited (acquired by Xstrata Plc in 2006). He has had broad industry involvement ranging from playing a leading role in setting the strategic direction for significant country-wide exploration programmes to working directly with junior explorers. He is the Chairman of Musgrave Minerals Limited and a non-executive director of ASX listed Aguia Resources Limited. Mr Ascough is also a Councillor of the South Australian Chamber of Mines and Energy and is Chair of its Exploration Committee. He is a member of the Australian Institute of Mining and Metallurgy and is a Professional Geoscientist of Ontario, Canada.

Kelly Ross BBus, CPA, GradDipCSP (Non-Executive Director)

Kelly Ross is a qualified accountant holding a Bachelor of Business (Accounting) and has the designation CPA from the Australian Society of Certified Practising Accountants. Ms Ross is a Chartered Secretary with over 25 years experience in accounting and administration in the mining industry. Ms Ross is the Company Secretary of Independence Group NL and has been an executive director of that company since 2002.

John Percival (Non-Executive Director)

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 Limited. In addition, he has extensive experience in stockbroking, corporate finance and investment management. Mr Percival is currently Executive Director – Operations of Goldsearch Limited.

Incoming Managing Director

Mr Robert Waugh has entered the employment Letter Agreement referred to in Section 10.8 of this Prospectus by which he has agreed to act as the Company's Managing Director from 7 March 2011. A biography for Mr Waugh follows:

Robert Waugh MSc, BSc, MAusIMM, MAIG (Incoming Managing Director)

Robert Waugh has over 24 years experience in the resources sector including more than eight years in the Musgrave region. Mr Waugh was a critical member of the WMC Resources Limited exploration team that discovered the massive Nebo and Babel nickel/copper/PGM deposits 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 at WMC Resources Limited (**WMC**), BHP Billiton Exploration Limited (**BHP**), Fusion Resources Limited, Cameco Australia Limited and most recently was Exploration Manager for Raisama Limited. Mr Waugh spent over 19 years with WMC and subsequently BHP, following the takeover of WMC in 2005. He has extensive exploration and mining experience in a range of commodities including nickel, copper, gold, uranium and PGMs. Mr Waugh holds a Bachelor of Science degree majoring in geology from the University of Western Australia and a Master of Mineral Economics degree from Curtin University and the Western Australian School of Mines. Mr Waugh is a member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists.

Company Secretary

The Company Secretary as at the date of this Prospectus is:

Donald Stephens BA(Acc), FCA (Company Secretary)

Donald Stephens is a chartered accountant with over 25 years experience in corporate accounting, corporate finance, management consulting and corporate governance. He is a director of Papyrus Australia Limited and Mithril Resources Limited and is the company secretary for Minotaur Exploration Limited, Toro Energy Limited, Petrathern Limited and Mithril Resources Limited. Mr Stephens is a corporate adviser across various industry sectors including mineral exploration, energy technologies and precision agriculture. He holds other public company secretarial positions and provides corporate advisory services to a wide range of organisations.



2.2 Corporate Governance

The Board of Directors has adopted a corporate framework for the Company which is underpinned by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) (**Recommendations**) applicable to ASX-listed entities.

This Section addresses each of the Corporate Governance Principles and, where the Company has not followed a Recommendation, this is identified with the reasons for not following the Recommendation. Those charters and policies that form the basis of the corporate governance practices of the Company are located on the Company's website.

Principle 1 - Lay solid foundations for management and oversight

(a) Recommendation 1.1 – Functions reserved to the Board and delegated to senior executives

The Board will be accountable to Shareholders for the performance of the Company and will have overall responsibility for its operations. Day to day management of the Company's affairs, and the implementation of the corporate strategy and policy initiatives, will be formerly delegated by the Board to the Managing Director.

The Company has established functions reserved to the Board and functions delegated to senior executives.

The functions reserved to the Board include:

- Approving the strategic direction and related objectives of the Company and monitoring management performance in the achievement of these objectives,
- Adopting budgets and monitoring the financial performance of the Company.
- Reviewing annually the performance of the Managing Director and senior executives, including the Company Secretary, against the objectives and performance indicators established by the Board.
- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems.
- Overseeing the implementation and management of effective safety and environmental performance systems.
- Ensuring all major business risks are identified and effectively managed.
- Ensuring that the Company meets its legal and statutory obligations.
- Overseeing of the Company, including its control and accountability systems.

The functions delegated to senior executives include:

- Implementing the Company's vision, values and business plan.
- Managing the business to agreed capital and operating expenditure budgets.
- Identifying and exploring opportunities to build and sustain the business.
- Allocating resources to achieve the desired business outcomes.
- Sharing knowledge and experience to enhance success.
- Facilitating and monitoring the potential and career development of the Company's people resources.
- Identifying and mitigating areas of risk within the business.
- Managing effectively the internal and external stakeholder relationships and engagement strategies.
- Determining the senior executives' position on strategic and operational issues.

For the purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at the Company's expense, unless the Board determines otherwise. The Board schedules meetings on a regular basis and other meetings as and when required.

The Company has not formally established the functions reserved to the Board and those delegated to senior executives in accordance with recommendations 1.1 and 1.3 of the ASX Corporate Governance Council. Given the size of the Company, the Board has not considered it necessary to formulate a Board charter.

(b) Recommendation 1.2 – Performance evaluation of senior executives

The Managing Director and senior management participate in annual performance reviews. The performance of staff is measured against the objectives and performance indicators established by the Board. A performance evaluation for senior management will take place in the upcoming reporting period in accordance with the Company's documented process. The performance of senior management is reviewed by comparing performance against agreed measures, examining the effectiveness and results of their contribution and identifying areas for potential improvement. In accordance with recommendations 1.2 and 1.3 of the ASX Corporate Governance Council the Company has not disclosed a description of the performance evaluation process in addition to the disclosure above.

Principle 2 - Structure the Board to add value

At the date of this Prospectus the Board consists of the following three non executive Directors:

• Mr Graham Ascough	Non-Executive Chairman
• Ms Kelly Ross	Non-Executive Director
• Mr John Percival	Non-Executive Director

Mr Robert Waugh has entered the employment Letter Agreement referred to in Section 10.8 of this Prospectus by which he has agreed to act as the Company's Managing Director from 7 March 2011.

The Board considers this to be an appropriate composition given the size and development of the Company at the present time. A profile of each Director and of Mr Waugh as incoming Managing Director, including their skills, qualifications and experience, is set out in Section 2.1 of this Prospectus.

(a) Recommendation 2.1 – A majority of the Board should be independent Directors

The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the Board. Those Directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors' meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors. Each Director is required by the Company to declare on an annual basis the details of any financial or other relevant interests that they may have in the Company.

The Board has determined that its three non-executive Directors are not independent as defined under Recommendation 2.1 because each is a director of a cornerstone investor company. The Company is therefore at variance with Recommendation 2.1 in that a majority of Directors are not independent.

The Board considers its current structure to be an appropriate composition of the required skills and experience, given the experience of the individual directors and the size and development of the Company at the present time.

Each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.1, all Directors bring an independent judgment to bear on Board decisions.

(b) Recommendation 2.2 – The chair should be an independent Director

The Company's Chairman, Mr Graham Ascough, is not an independent Director as defined under Recommendation 2.1.

(c) Recommendation 2.3 – The roles of chair and chief executive officer should be separated

The roles of the Chairman and the Managing Director will not be exercised by the same individual.

(d) Recommendation 2.4 – Nomination Committee

The Board has not established a Nomination and Remuneration Committee in accordance with recommendation 2.4 of the Corporate Governance Council. The Board takes ultimate responsibility for these matters and continues to monitor the composition of the Board and the roles and responsibilities of its members. Accordingly, the Company does not have a Nomination and Remuneration Committee Charter in accordance with recommendations 2.4 and 2.6 of the ASX Corporate Governance Council.

(e) Recommendation 2.5 – Process for evaluating the performance of the Board

The Board continues to review performance against appropriate measures and identify ways to improve performance. The Board has not formally disclosed the review process in accordance with recommendations 2.5 and 2.6 of the ASX Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider the disclosure of the performance evaluation necessary at this stage.

(f) Recommendation 2.6 – Additional information concerning the Board and Directors

The Company will include the disclosures required by Recommendation 2.6 in its future annual reports.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

Principle 3 – Promote ethical and responsible decision making

(a) Recommendation 3.1 – Code of Conduct

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Company intends to maintain a reputation for integrity and is highly committed to demonstrating appropriate corporate practices and decision making. The Company's officers and employees are required to act in accordance with the law and with the highest ethical standards. The Board has not adopted and disclosed a formal code of conduct applying to the Board and all employees in accordance with recommendations 3.1 and 3.5 of the Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider the disclosure of the code necessary at this stage.

(b) Recommendation 3.2 and Recommendation 3.3 – Diversity Policy

The ASX Corporate Governance Council has released amendments dated 30 June 2010 to the 2nd edition Corporate Governance Principles and Recommendations in relation to diversity.

For the purpose of the amendments diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

The Company continues to strive towards achieving objectives established towards increasing gender diversity.

The Company will assess all staff and Board appointments on their merits with consideration to diversity a driver in decision making. The Company has not yet developed or disclosed a formal diversity policy and therefore has not complied with the recommendations 3.2 and 3.3 of the Corporate Governance Council effective from 1 January 2011.

The Board is ultimately responsible for reviewing the achievement of this policy.

The Company will include the disclosures required by Recommendation 3.3 in its future annual reports.

(c) Recommendation 3.4 – Reporting in Annual Report

The Company's future annual reports will include a report containing the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

Principle 4 – Safeguard integrity in financial reporting

The Company has structured financial management to independently verify and safeguard the integrity of its financial reporting. The structure established by the Company includes:

- Review and consideration of the financial statements by the Audit Committee.
- A process to ensure the independence and competence of the Company's external auditors.

(a) Recommendation 4.1 – Audit Committee

The Company has established an Audit Committee.

(b) Recommendation 4.2 – Structure of the Audit Committee

The Company's Audit Committee does not comply with all of the requirements of Recommendation 4.2. Details are as follows:

- the Audit Committee does not consist only of non-executive Directors; there are two non-executive Directors and one executive Director;
- the Audit Committee does not consist of a majority of independent Directors; and
- the Audit Committee is chaired by Ms Kelly Ross, who is not an independent Director.

Although none of the members of the Audit Committee are independent, the Board has nevertheless determined that the composition of the Audit Committee represents the only practical mix of Directors that have an appropriate range of qualifications and expertise and that can understand and competently deal with current and emerging relevant business issues.

(c) Recommendation 4.3 – Audit Committee Charter

The Audit Committee's primary responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Company;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the Board;
- nominate external auditors;
- review the performance of the external auditors and existing audit arrangements; and
- ensure compliance with laws, regulations and other statutory or professional requirements, and the Company's governance policies.

The Company has adopted an Audit Committee Charter which sets out its role, responsibilities and membership requirements and reflects the matters set out in the commentary and guidance for Recommendation 4.3.

(d) Recommendation 4.4 – Additional Information concerning the Audit Committee

The Company will include the disclosures required by Recommendation 4.4 in its future annual reports.

In accordance with the guide to reporting on Principle 4, the Company's Audit Committee Charter is available on the Company's website.

Principle 5 - Make timely and balanced disclosure

The Company has a policy that all shareholders and investors have equal access to the Company's information. The Board ensures that all price sensitive information is disclosed to ASX in accordance with the continuous disclosure requirements of the Corporations Act and Listing Rules. The Company Secretary has primary responsibility for all communications with ASX and is accountable to the Board through the Chair for all governance matters.

(a) Recommendation 5.1 – ASX Listing Rule Disclosure Requirements

The Company has established a Continuous Disclosure Policy which sets out the key obligations of Directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and Corporations Act. The policy also provides procedures for internal notification and external disclosures, as well as procedures for promoting understanding of compliance with disclosure requirements.

The policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

(b) Recommendation 5.2 – Continuous Disclosure Policy

The Company will include the disclosures required by Recommendation 5.2 in its future annual reports.

A copy of the Company's Continuous Disclosure Policy is available on the Company's website.

Principle 6 - Respect the rights of shareholders

The Board strives to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and its Directors and to make well-informed investment decisions.

(a) Recommendation 6.1 – Shareholder Communications Policy

Information is communicated to Shareholders through:

- annual, half-yearly and quarterly financial reports;
- annual and other general meetings convened for Shareholder review and approval of Board proposals;
- continuous disclosure of material changes to ASX; and
- the Company's website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

The auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

The Company has adopted a Shareholder Communications Policy for:

- promoting effective communication with shareholders; and
- encouraging shareholder participation at annual and other general meetings.

(b) Recommendation 6.2 – Availability of Shareholder Communications Policy

The Company will include the disclosures required by Recommendation 6.2 in its future annual reports.

A copy of the Company's Shareholder Communications Policy is available on the Company's website.

Principle 7 - Recognise and manage risk

The Board has identified the significant areas of potential business and legal risk of the Company. In addition the Board has developed the culture, processes and structures of the Company to encourage a framework of risk management which identifies, monitors and manages the material risks facing the organisation.

(a) Recommendation 7.1 – Risk Management Policies

The identification, monitoring and, where appropriate, the reduction of significant risk to the Company is the responsibility of the Managing Director and the Board. The Board has also established the Audit Committee which addresses the risks of the Company.

The Board reviews and monitors the parameters under which such risks will be managed. Management accounts are prepared and reviewed with the Managing Director at subsequent Board meetings. Budgets are prepared and compared against actual results.

Management and the Board monitor the Company's material business risks and reports are considered at regular meetings.

The Company has not publicly disclosed a policy for the oversight and management of material business risks in accordance with recommendations 7.1 and 7.4 of the Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider disclosure of a risk management policy to be appropriate at this stage.

(b) Recommendation 7.2 – Risk Management and Internal Control System

The Company is in the process of developing a risk management framework which will be supported by the Board of Directors and management.

The Board will require management to design and implement a risk management and internal control system to manage the Company's business risks.

The Board will require management to report to it on whether those risks are being managed effectively.

(c) Recommendation 7.3 – Statement from the Managing Director and Company Secretary

The Managing Director and the Company Secretary will be required to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards. Included in this statement will be confirmation that the Company's risk management and internal controls are operating efficiently and effectively.

(d) Recommendation 7.4 – Additional Information concerning Risk Management

The Company will include the disclosures required by Recommendation 7.4 in its future annual reports.

The Company has not publicly disclosed a policy for the oversight and management of material business risks in accordance with recommendation 7.1 and 7.4 of the Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider disclosure of a risk management policy to be appropriate at this stage.

Principle 8 - Remunerate fairly and responsibly

(a) Recommendation 8.1 – Remuneration Committee

The Board has not established a Remuneration Committee or disclosed a Committee Charter on the Company's website and therefore has not complied with recommendations 8.1 and 8.3 of the Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider a Remuneration Committee to be appropriate at this stage.

(b) Recommendation 8.2 - Structure of Remuneration Committee

The Board has not established a Remuneration Committee or disclosed a Committee Charter on the Company's website and therefore has not complied with recommendations 8.2 and 8.3 of the Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider a Remuneration Committee to be appropriate at this stage.

(c) Recommendation 8.3 – Remuneration of Executive Directors, Executives and Non-Executive Directors

The Chairman and the non-executive Directors are entitled to draw Director's fees and receive reimbursement of reasonable expenses for attendance at meetings. The Company is required to disclose in its annual report details of remuneration to Directors. The maximum aggregate annual remuneration which may be paid to non-executive Directors is \$250,000 per annum. This amount cannot be increased without the approval of the Company's Shareholders.

(d) Recommendation 8.4 – Additional Information concerning Remuneration

The Company will include the disclosures required by Recommendation 8.3 in its future annual reports.

2.3 Share Trading Policy

The Company has a trading policy that complies with ASX Listing Rule 12.9 and which includes the following information:

- fixed periods when the Company's key management personnel are prohibited from trading in the Company's securities;
- restrictions on trading that apply to the Company's key management personnel;
- any trading which is not subject to the Company's trading policy; and
- any exceptional circumstances in which the Company's key management personnel may be permitted to trade during a prohibited period with prior written clearance, and the procedures for obtaining that clearance.

The Company's trading policy is available on the Company's website.



3. Directors' Review

3.1 Company History

Musgrave Minerals was incorporated in Victoria on 26 May 2010. It is a public company limited by shares.

Musgrave Minerals was formed through an agreement between Mithril, Independence Group and Goldsearch. The agreement was made to join forces and accelerate exploration in the highly prospective Musgrave region. The Company is focused on the acquisition, exploration and development of mineral projects in the Musgrave region of South Australia.

Under separate agreements with Musgrave Minerals, wholly owned subsidiaries of Barrick (PD) Australia Limited, Integra and a wholly owned subsidiary of Argonaut Resources NL have each agreed to sell their respective interests in the South Australia Musgrave Province to become cornerstone investors in the Company (see Section 10 of this Prospectus for a summary of these Tenement Sale Agreements).

Musgrave Minerals will have the largest exploration land holding in the Musgrave region totalling more than 50,000km² and will hold a 100% interest in the majority of the tenements.

The principal activities of the Company since incorporation have been:

- the consolidation of a significant land holding in the Musgrave Region of South Australia;
- successfully raising \$1.5 million (before expenses) in seed capital to fund ongoing exploration activities, working capital and the preparation of this initial public offering;
- the exploration of mineral tenements with the agreement of founding shareholders;
- the acquisition of further exploration interests in the region through separate agreements with wholly owned subsidiaries of Barrick (PD) Australia Limited, Integra and a wholly owned subsidiary of Argonaut Resources NL;
- the evaluation of exploration results achieved through geological mapping, surface sampling, and geophysical surveys carried out during the period since and prior to incorporation; and
- preparing for a successful listing on ASX in 2011.

3.2 Management Team

To successfully implement its proposed exploration programs and manage the Company a high quality Board of Directors and management team with considerable experience in the resources sector has been established. The Board and management team have strong technical and commercial skills with considerable experience in the Australia resources sector. Details of the current Directors of the Company, the incoming Managing Director of the Company and the Company Secretary are contained in Section 2.1 of this Prospectus.

The incoming Managing Director, Mr. Robert Waugh and Exploration Manager, Dr Justin Gum, have first-hand exploration and discovery experience in the Musgrave region.

3.3 Company Objectives and Strategies

Musgrave Minerals is a focussed mineral exploration company that aims to apply modern-day exploration techniques and conceptual models to the under-explored and unexplored South Australian portion of the prospective Musgrave Province.

The core objective of the Company is to grow shareholder wealth through successful exploration and development projects in the prospective Musgrave Region of South Australia.

The Company will apply the latest exploration technologies and conceptual models when implementing its exploration programs in the region that has not seen any

modern-day exploration activity until very recently. These methods will include early exploration technologies that will aim to delineate targets for drill testing in the near term. The application of airborne and ground geophysical surveys, along with ground based mapping and sampling programs, will be implemented following methodologies that have been proven successful in known mineral camps.

Musgrave Minerals has developed an exploration strategy that builds on the experience gained exploring for similar deposit styles globally. The work of previous explorers in the region, while limited, resulted in the discovery of the large Nebo and Babel nickel-copper deposits on the Western Australian portion of the Musgraves in 2000 (WMC Resources Limited). Although these deposits are not part of the Musgrave Minerals' tenement package, they do demonstrate the potential of the region.

The funds raised by the Offer will be applied to carry out exploration, including substantial drilling programs designed to discover and advance mineral deposits along a development timeline. The mineral deposits being sought are of high intrinsic value and if discovered and proven economic would have the potential to generate substantial long term cash flows from operations post-development.

3.4 Summary of Exploration Projects

Musgrave Minerals will have a leading exploration land holding in the region with tenements covering an area of approximately 50,000km² – which equates to approximately 5% of the State of South Australia.

The Company will hold the majority of tenements 100% and will have the right to earn up to 75% in the remaining tenements (PMC/Zeil No 1 Project described in Section 10.7 of this Prospectus).

Further technical details of the Projects and the proposed exploration work of the Company are outlined in Section 4 of this Prospectus.

A detailed review is also provided in the Independent Technical Specialist's Report in Section 6 of this Prospectus.



4. Review of Exploration Projects

This Section provides a general outline of the projects available to the Company. Detailed descriptions of the geology and prospectivity of each area are contained within the Independent Technical Specialist's Report contained in Section 6 of this Prospectus.

4.1 Project Overview

Musgrave Minerals is dedicated to discovering new deposits of economic mineralisation in the Musgrave Province of South Australia, using systematic, well resourced exploration methods and programs. Subject to completion of the Tenement Sale Agreements referred to in Section 10 of this Prospectus and the grant of the ELAs referred to in them, the Company will have a leading exploration land holding in the Musgrave region, with tenements covering an area in excess of 50,000km² – which equates to approximately 5% of the State of South Australia (Figure 1).

The Musgrave Province is one of the last under-explored exploration frontiers in Australia and is prospective for a number of commodities. The centerpiece is the recognition of, and access to, the under-explored potential of the Giles Complex, a 1080Ma aged mafic-ultramafic layered intrusive complex, that hosts the massive Nebo/Babel deposit, a major nickel and copper sulphide deposit in the Western Australian portion of the province.

In South Australia, the Musgrave Province lies almost entirely within Anangu Pitjantjatjara Yankunytjatjara land (Aboriginal freehold land) and the Company will endeavour to build on the strong relationship with Anangu Pitjantjatjara Yankunytjatjara that the investor companies have developed.

Historically, exploration activities in the region have been restricted, but access has improved considerably in recent times and the Company holds seven granted exploration licences with cleared exploration access to areas totalling more than 3,200km². The Company is in the process of advancing eight additional tenements through the granting process and expects to have exploration access to these tenements in the near term.

In October and November 2010, Musgrave Minerals completed an initial phase of exploration on granted tenements in the region that has identified new nickel, copper and gold mineralisation, delineated 15 high quality drill targets and advanced a number of conceptual targets to a drill test decision. A number of these targets are defined by strong basement conductors coincident with interpreted Giles Complex intrusives and geologically favorable structural locations. These are high priority drill ready targets.

The exploration completed to date clearly demonstrates the Company's ability to be an effective explorer in the region and validates the Company's exploration strategy and targeting methodologies. The targets are described in further detail below along with the planned work program that includes a significant amount of drilling immediately following a successful IPO.

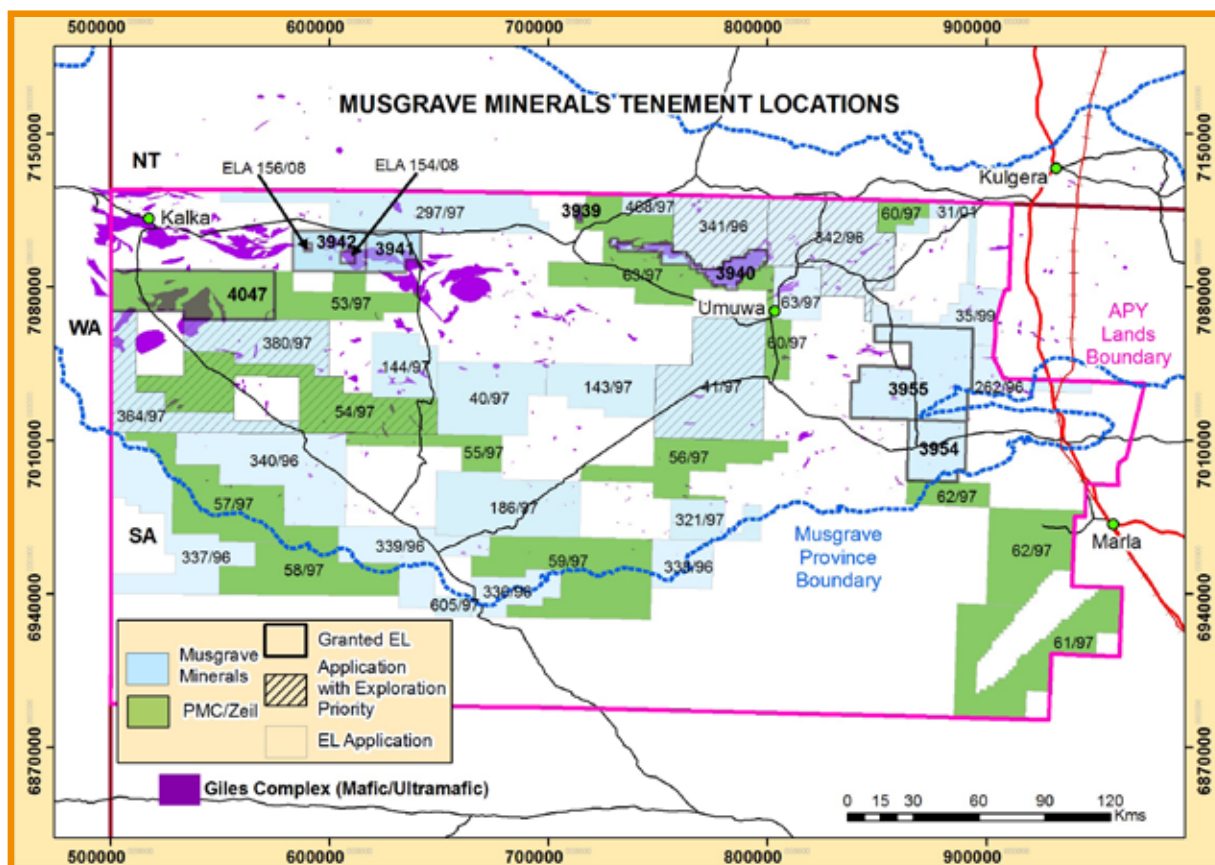


Figure 1: Musgrave Minerals Tenement Locations.

4.2 Regional Geology, Mineralisation Styles And Exploration Strategy

Regional Geology and Mineralisation Styles

The Musgrave Province is a large, under-explored block of Proterozoic-aged rocks spanning three jurisdictions – South Australia, Western Australia and the Northern Territory (Figure 2). The basement of the Musgrave Province consists mainly of metamorphosed granitic rocks (Birksgate Complex, 1.55Ga +) and minor amounts of younger (1.4 Ga) metamorphosed sediments. This basement was deformed and intruded by the Pitjantjatjara Supersuite granites at 1.2Ga during the Musgrave Orogeny, then intruded by Giles Complex mafic/ultramafic magma and covered by extrusive volcanics and sediments as part of the Warakurna Large Igneous Province (LIP) which stretches westward to the coast of Western Australia (1.07 Ga).

The extensive history of magmatic intrusion, metamorphism and deformation in the Musgrave Province has created a wide variety of opportunities for mineralising events. The most significant so far identified are the nickel and copper magmatic sulphides formed during the emplacement of the Giles Complex.

The Giles Complex is a series of layered, mafic-ultramafic intrusives, dykes and stocks that are prospective for nickel, copper and PGE deposits. It spans over 400km in strike, primarily occurring in a corridor just south of the Mann Fault (Figure 2).

The Mann Fault is a continental-scale structure interpreted to be a critical feature controlling intrusion and mineralisation of the Giles Complex. Many of the smaller bodies of Giles are interpreted as feeders or conduits to the larger bodies. These are prospective for Voisey's Bay style nickel-copper deposits. Voisey's Bay is a large, nickel-copper-cobalt deposit in Canada, owned and operated by Vale Inco NL with resources and reserves quoted as 136Mt @ 1.59% Ni, 0.85% Cu and 0.06% Co. It provides the model for the primary exploration targets in the Musgrave Province.

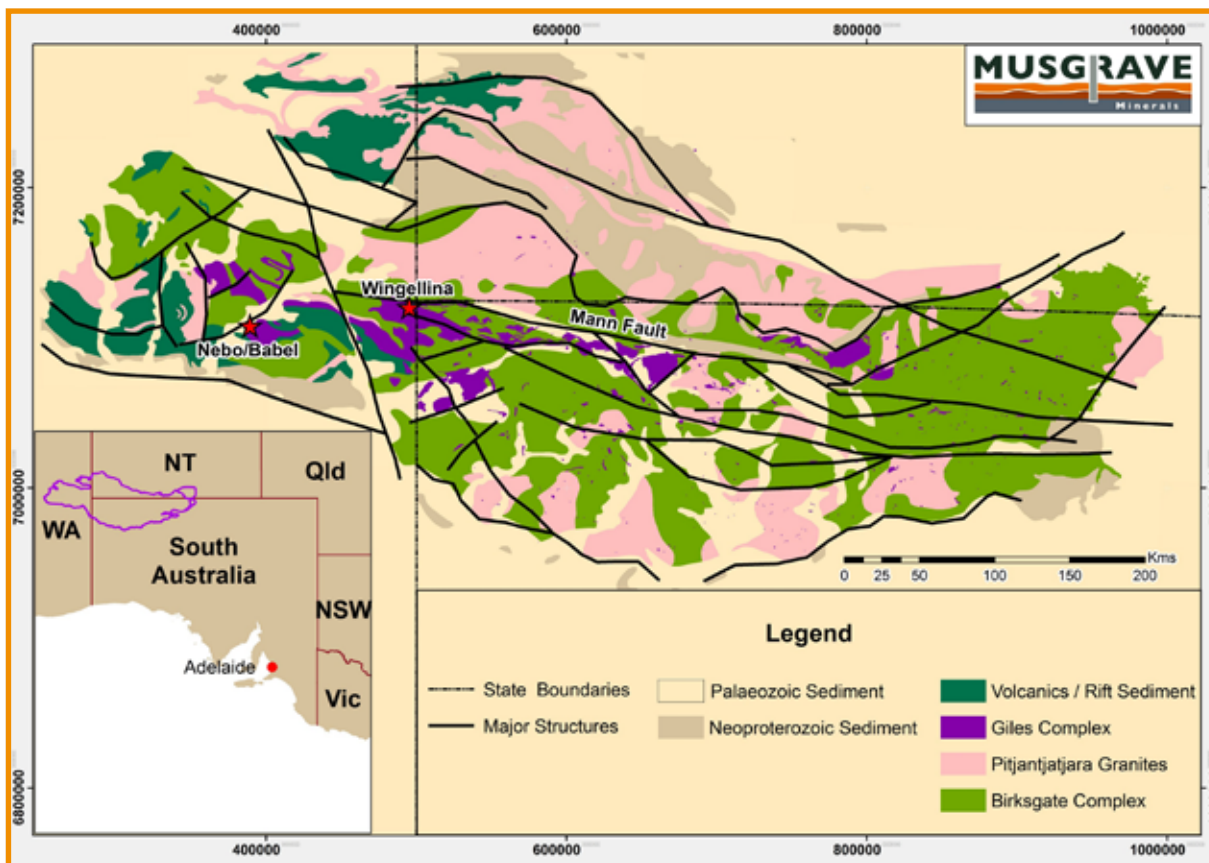


Figure 2: Musgrave Province Geology.

The discovery of the large Nebo-Babel nickel-copper deposit in Western Australia in 2000 by WMC Resources Limited demonstrates the potential of the Region. This deposit is still being explored by BHP Billiton Limited.

The nickel-copper prospectivity of the Musgrave Province is well documented and will be the focus of the Company's exploration efforts as there are extensive outcrops of Giles Complex mafic/ultramafic rocks present within the Company's tenements and a number of compelling nickel-copper drill targets have been identified. To date, less than 10% of the currently accessible land area (3,210 km²) and less than 1% of the total tenement area has been flown by VTEM which has been proven to be very effective in defining near surface conductors in this environment. This is extremely encouraging for the continuing definition of priority drill targets going forward.

There are a number of other mineralization styles present or potentially present as outlined below:

- Platinum Group Element (PGE) deposits;
- Vanadium/titanium bearing magnetite deposits;
- Sub-volcanic, vein-hosted copper (+/- gold) deposits;
- Remobilised, vein-hosted copper deposits; and
- Rare Earth Element (REE) and related thorium/uranium deposits.

In November 2010, the Company discovered occurrences of copper and gold through surface rockchip sampling on the wholly owned tenement EL3955. These occurrences, near an historic copper occurrence (Moorilyanna), are located approximately 60km west of the Stuart Highway. Prior to this work there was no record of gold mineralisation within the South Australian Musgrave Province.

Evaluating and testing this new copper-gold mineralisation will be a priority in the exploration program following the IPO.

Much of the project is covered by a thin layer of sand (the cover is of variable thickness but is generally less than 100m). As such, exploration targets are well within economic depths and are amenable to detection by conventional geophysical and/or geochemical exploration techniques.

Exploration Strategy

The Company has developed an exploration strategy that builds on experience developed through exploring for similar deposit styles globally. The primary focus will be exploring for nickel sulphide deposits and related copper, cobalt and PGE mineralisation.

Regional reconnaissance mapping and sampling will be a critical first step in evaluating much of the exploration holding. Many remote outcrops have yet to be visited by geologists and the majority of previous mapping occurred in the 1970s, prior to significant advancements in the understanding of various deposit models. The lack of base-line information is a challenge and a risk, but also provides an opportunity to identify new mineral prospects at surface. This is demonstrated by the discovery of copper-gold mineralisation near the Moorilyanna Copper Prospect by the Company in November 2010.

The styles of mineralisation targeted are amenable to direct detection using conventional geochemical sampling and geophysical surveying techniques. The exploration strategy will utilise these techniques to systematically explore prospective areas that are identified through regional mapping. This strategy is summarised below:

- 1) Regional and detailed geological mapping
 - Surface rock chip sampling
 - Identifying prospective rock types and/or mineralised outcrops
- 2) Regional and infill geochemical sampling
 - Soil sampling where bedrock occurs at shallow depths (<10m)
 - Hand auger where direct sampling of bedrock possible (<5m)
 - Vacuum/air core/auger drilling where bedrock occurs at depths in excess of 10m
- 3) Airborne geophysical programs
 - Systematic coverage utilizing electromagnetic and magnetic methods across prospective areas
- 4) Detailed ground geophysical surveys
 - Verification of airborne targets utilising electromagnetic, magnetic and/or gravity methods
- 5) Drill testing of defined targets

Target identification and verification will be an on-going process, providing a steady flow of high quality drill targets from IPO onwards. It is the Company's belief that drill testing quality targets in this under-explored, highly prospective terrain will ultimately lead to exploration success and the discovery of new mineral deposits.

4.3 Project Summaries

Exploration Properties - Granted Tenements

EL3941 Hanging Knoll and EL3942 Mount Hardy

EL3942 is the most prospective tenement in the portfolio and drilling is planned to test the high quality Ni-Cu-PGE targets outlined by recent exploration. Significantly, heritage clearance surveys have been successfully completed over the entirety of EL3941 and EL3942 facilitating access for exploration of the extensive Giles Complex rock types located on these tenements (Figure 3). In addition, EL3941 and EL3942 have been cleared for up to 100 drillholes.

Geological mapping and rockchip sampling by the Company in 2010 confirmed the presence of a seven km long feeder dyke system (denoted as the East Deering Feeder Dyke Complex in Figure 3) and identified “blebby” sulphides (including the nickel-bearing sulphide pentlandite) and clasts within the dyke. This is highly encouraging and provides further support that Giles Complex intrusives in the tenement area are fertile to host nickel-copper sulphide mineralisation.

The area was therefore targeted with an airborne geophysics survey utilising the VTEM system in November 2010. Follow-up ground geophysics across a number of conductive features has identified nine priority drill targets (Figure 4). These targets are characterised geophysically as strong conductors that may reflect accumulations of sulphide mineralisation. The majority of the targets are covered by variable thicknesses of regolith and thin transported overburden making surface geochemistry largely ineffective. The conductors are all proximal to interpreted Giles Complex mafic intrusives identified from aeromagnetic data with the majority in favourable structural settings.

A program of RC and diamond drilling will commence as soon after IPO as practicable to test these very encouraging targets.

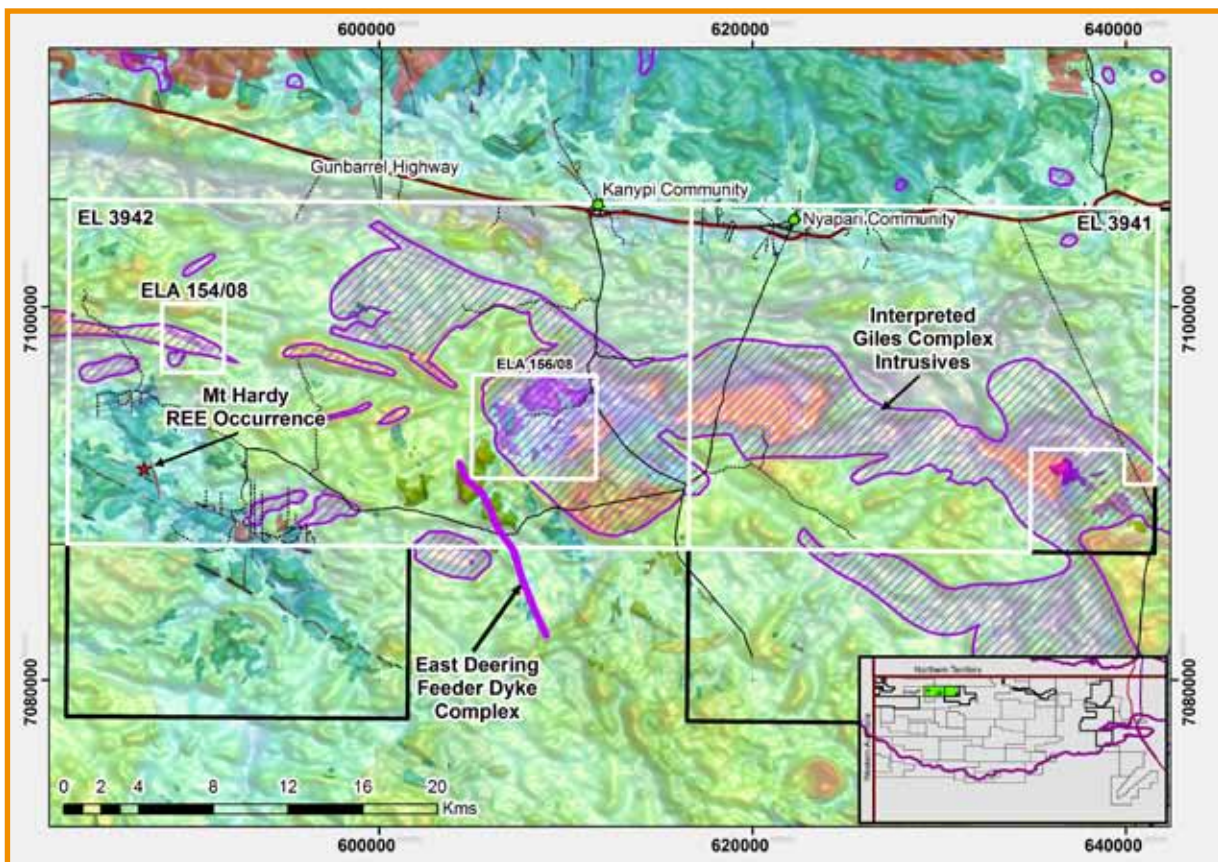


Figure 3: EL3941/3942 with Aeromagnetics (RTP HSI) and Geology (outcropping Giles rocks in solid magenta, interpreted Giles rocks in hatched magenta).

Other mineralisation identified on these tenements to date includes the following:

- The Mt Alvey PGE horizon which has returned grades of up to 14m @ 0.42g/t Pt+Pd (Rio Tinto Exploration Pty Ltd in 2000) and 10m @ 0.70g/t Pt+Pd (Mithril in 2008) in five drillholes over a strike length of 1,500m. This horizon is open in all directions (Figure 4).
- A zone of outcropping vanadium bearing, titaniferous-magnetite over an area of 1700m x 300m on EL3942 discovered by Mithril in 2008 (Figure 4). Surface rockchip samples assayed up to 0.83% V₂O₅ and 55.1% Fe were taken on coarse grained massive, magnetite horizons.
- A rockchip sample collected by PIRSA, during a previous mapping program, returned an assay of 9.3% REE, 1.04% uranium, 0.79% thorium and 29g/t silver

from the Mt Hardy area (Figure 3). Field investigation of the area by Mithril confirmed the presence of REE bearing pegmatite dykes with composite surface rockchip samples returning up to 2% REE and 0.13% thorium.

Extensive further work, in the form of geological mapping and sampling followed, by shallow drilling of these occurrences, is planned soon after IPO.

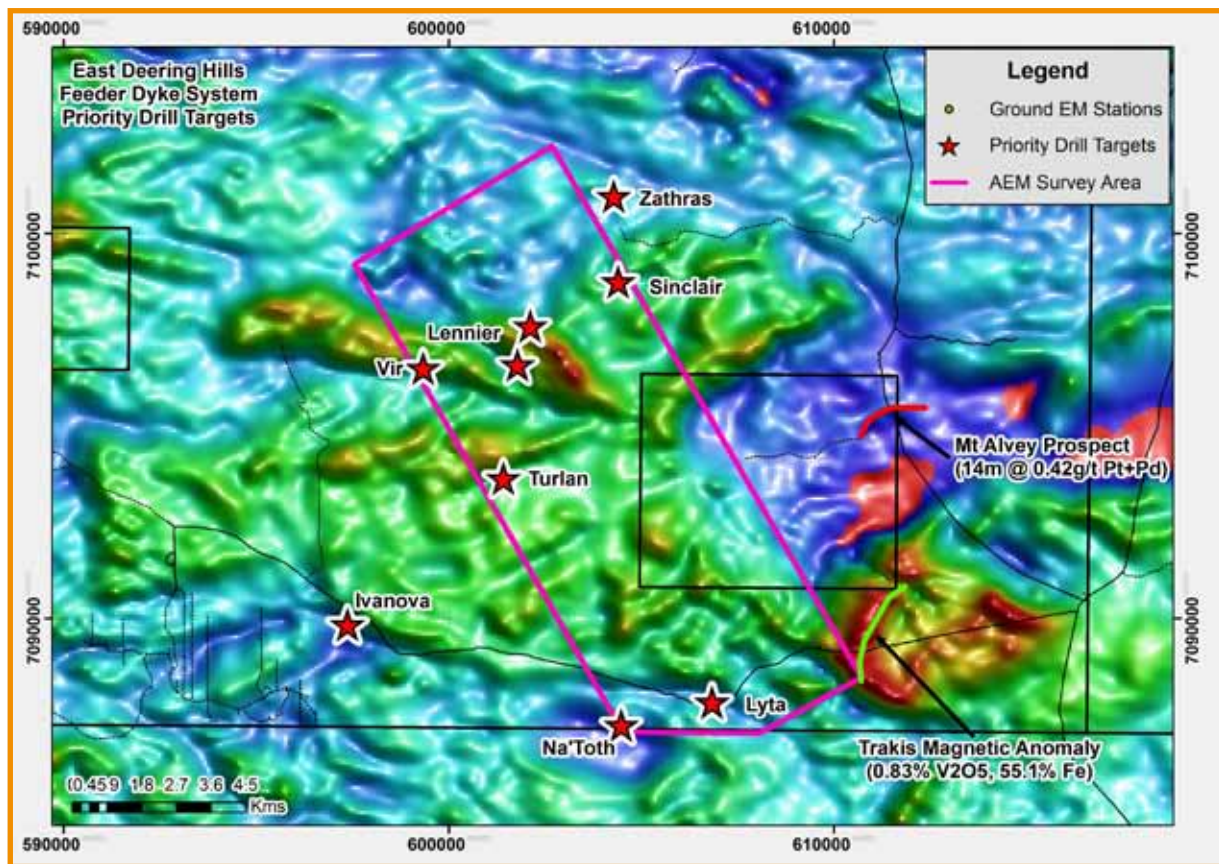


Figure 4: EL3942 Priority Drill Targets with Aeromagnetics (RTP HSI).

EL3955 Echo Hill

The Company intends to drill test six copper-gold targets on EL3955. These targets have been generated by the Company through compilation of historical data and recent fieldwork. Access to this tenement is easily obtained through existing tracks and it is well located in regards to infrastructure being less than 60km from the Stuart Highway and the Adelaide – Darwin rail line. Heritage surveys have been successfully completed over much of the tenement facilitating access for exploration activities.

This tenement is host to two historical mineral occurrences discovered in the 1960s-70s, the Tuckerbox Ni-Cu Prospect and the Moorilyanna Cu Prospect (Figure 5). The Moorilyanna Prospect highlights the copper-gold potential of the area as surface sampling by the Company has identified significant gold values (up to 0.61g/t Au) in surface rock chip samples associated both with the copper mineralisation at Moorilyanna and at a number of new locations. To date, six drill targets have been defined (Figure 6). Broad spaced, systematic soil sampling of this portion of the tenement by the Company has also identified further copper anomalies that require additional detailed work to advance these targets to a drill test decision.

In the 1970s Kennecott Exploration (Australia) Pty Ltd completed three diamond drillholes at Tuckerbox. The mineralisation intersected was sub-economic but demonstrates that the ore forming processes for nickel sulphide deposits are present. More recent soil sampling work has confirmed the presence of 10 new Ni-Cu-PGE geochemical anomalies within EL3955. These targets will be the subject of further exploration activities to advance them to a drill test decision.

The VTEM survey completed in November 2010 has located more than 20 conductive responses located under thin sand cover that may be indicating nickel and/or copper mineralisation. Verification of these targets with ground EM and/or geochemical sampling programs is planned to advance these anomalies to a drill test stage.

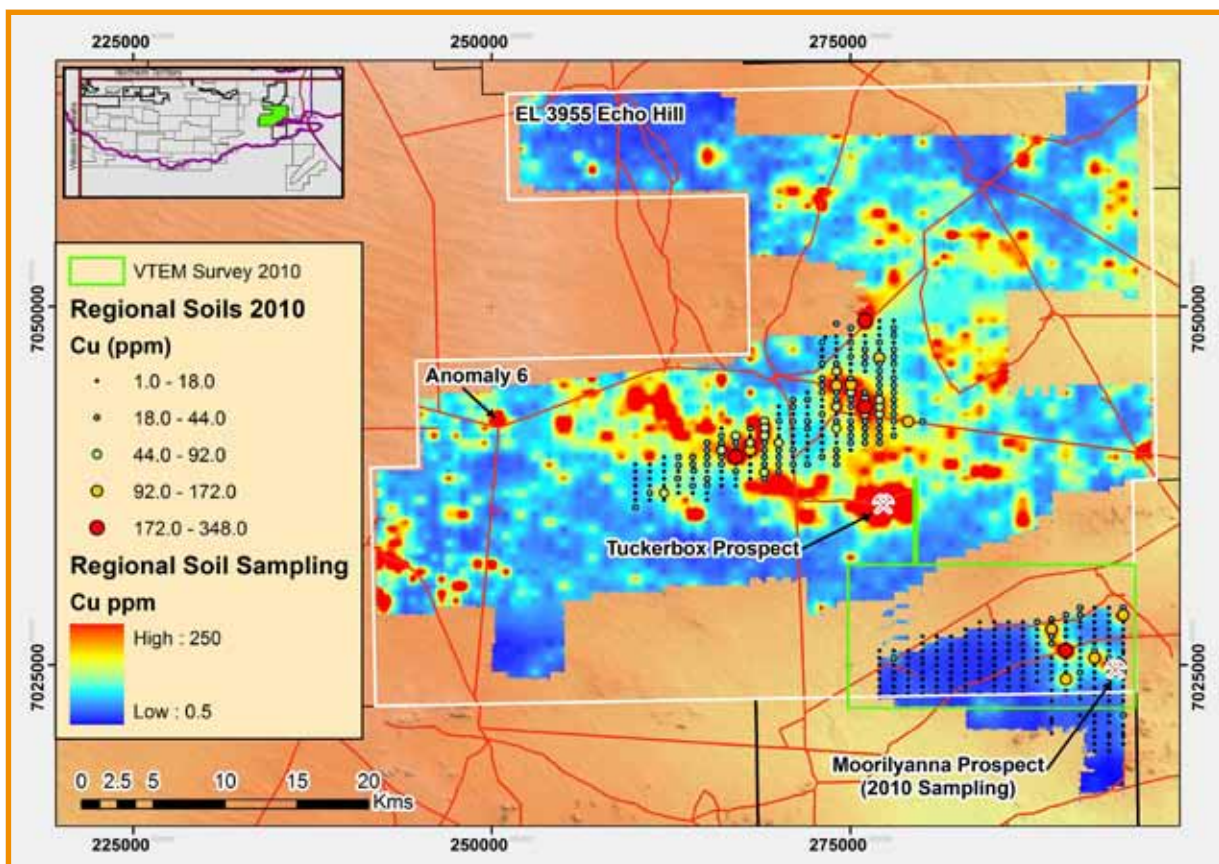


Figure 5: EL3955 Digital Terrain Image Overlay by Regional Copper Geochemistry.

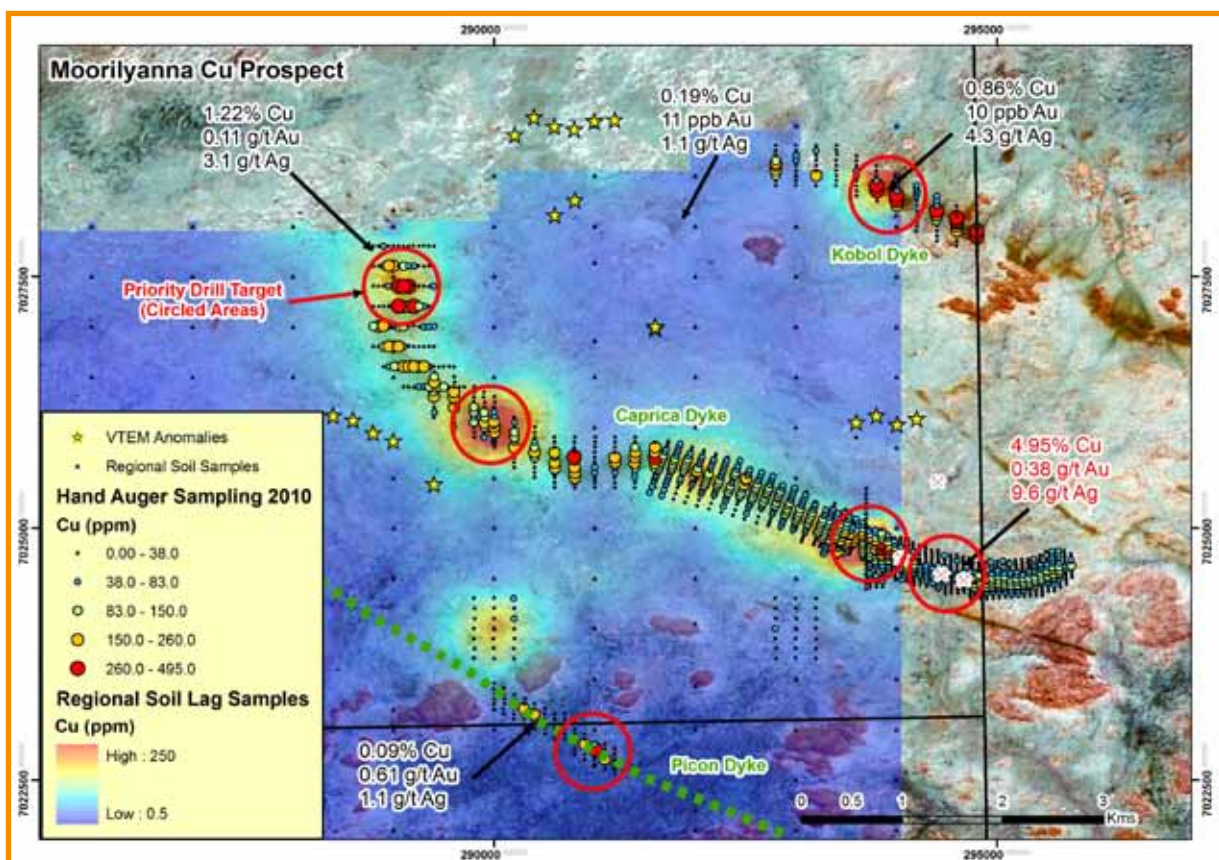


Figure 6: Moorilyanna Copper Prospect, Priority Drill Targets.

EL3939 Mt Woodward

EL3939 contains a large outcrop of Giles Complex intrusives favourable for hosting nickel-copper mineralisation. Prior to Mithril successfully obtaining heritage clearances on this tenement in 2009, there had been no previous exploration in the area.

Mapping and geochemical sampling conducted across the majority of the northern outcrops (Figure 7) has confirmed the presence of Giles Complex, with early encouragement noted in the geochemistry results with anomalous copper and nickel values.

Further mapping has highlighted a complex structural zone to the west of the intrusion that is interpreted to be associated with the emplacement of the Giles Complex. This area has potential to host mineralisation similar in style to the Voisey's Bay deposit.

Detailed mapping and geochemical sampling will continue with the aim of defining nickel and copper targets for follow-up drill testing.

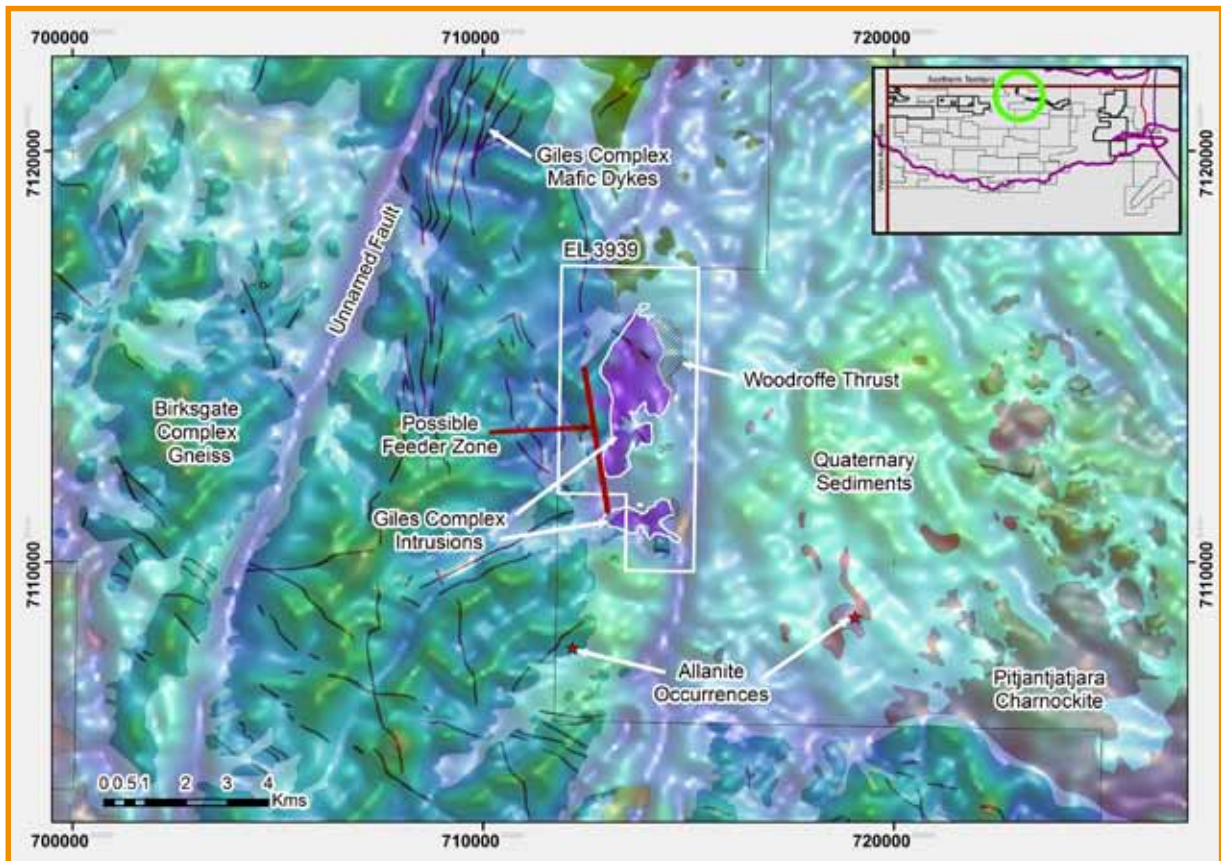


Figure 7: EL3939 Geology and PIRSA Aeromagnetics (RTP HSI).

EL3940 Mt Woodroffe

EL3940 is situated within a large, geologically complex area, straddling the Mann Fault Complex and Woodroffe Thrust Zone. Areas anomalous in nickel and copper have been identified from reconnaissance stream sediment sampling by previous explorers. The stream sediment nickel-copper geochemical anomaly is approximately 8km x 4km and covers a complex structural position within Giles Complex rock types (Figure 8). Previous exploration reported a copper occurrence in mafic rocks within the area of the geochemistry anomaly which is yet to be verified on the ground. Further detailed soil traverses and shallow reconnaissance drilling to test the anomaly is planned for 2011 to determine the source of the anomalism.

Musgrave Minerals completed an extension of the stream sediment sampling program in October 2010 in the central portion of the EL and located a regionally extensive magmatic magnetite unit with anomalous vanadium and silver values (up to 0.29% V₂O₅, 4.6g/t Ag) in surface rock chip samples (Figure 10). Further follow-up sampling is planned for 2011 to determine the extent and significance of this mineralisation.

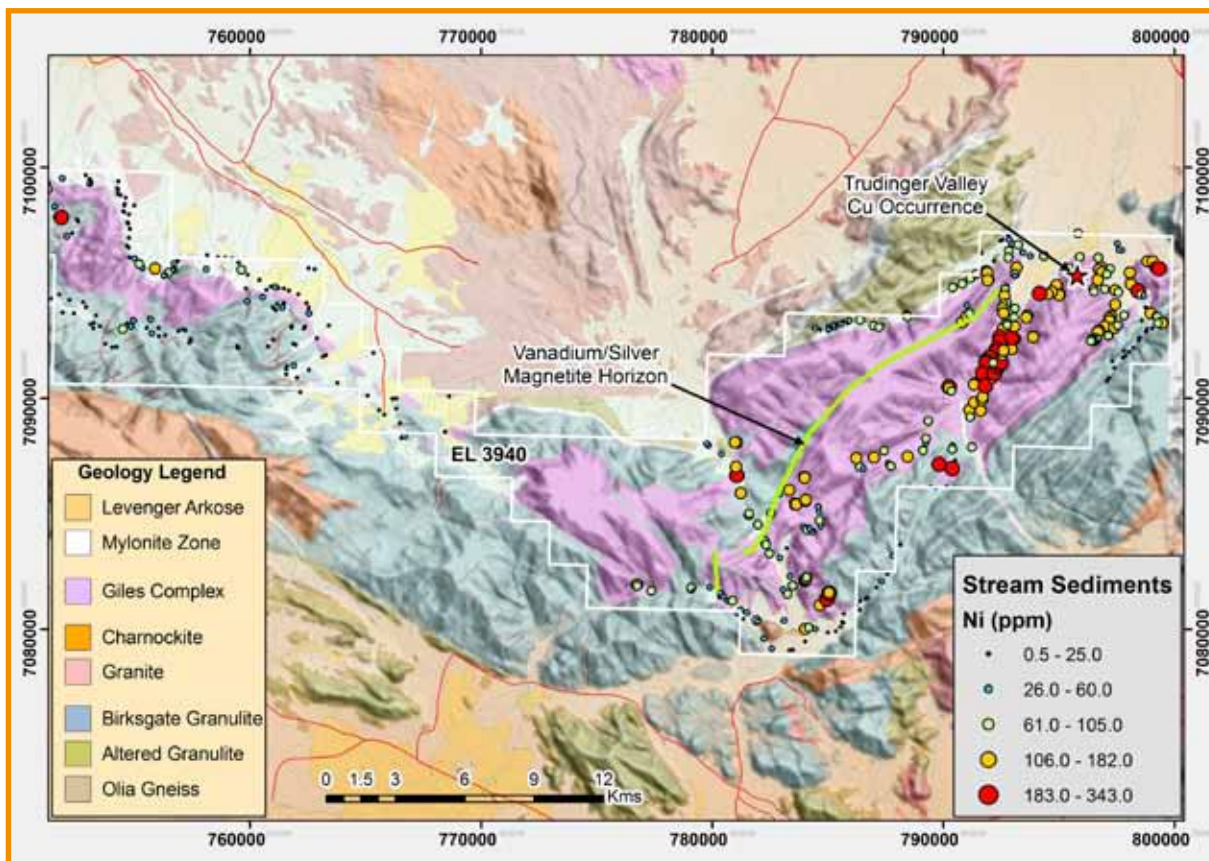


Figure 8: EL3940 Aerial Photo Image Showing Geology and Nickel Stream Sediment Values.

EL3954 Everard Park

The recent discovery of extensive copper-gold-silver mineralisation by the Company on EL3955 immediately to the north has increased the potential of the northern portion of EL3954. The majority of this tenement has been recently cleared for low-impact exploration activities and there are numerous prospective geological targets highlighted for exploration activities in 2011.

EL3954 has seen limited previous exploration, considerably less than the adjacent EL3955, but is considered prospective for nickel-copper mineralisation associated with Giles Complex in addition to copper-gold mineralisation.

Three intense magnetic lows occur in the centre of the EL (Figure 9) and these are also interpreted to be Giles Complex intrusions under thin sand cover. These anomalies will be assessed for their nickel-copper sulphide potential in 2011.

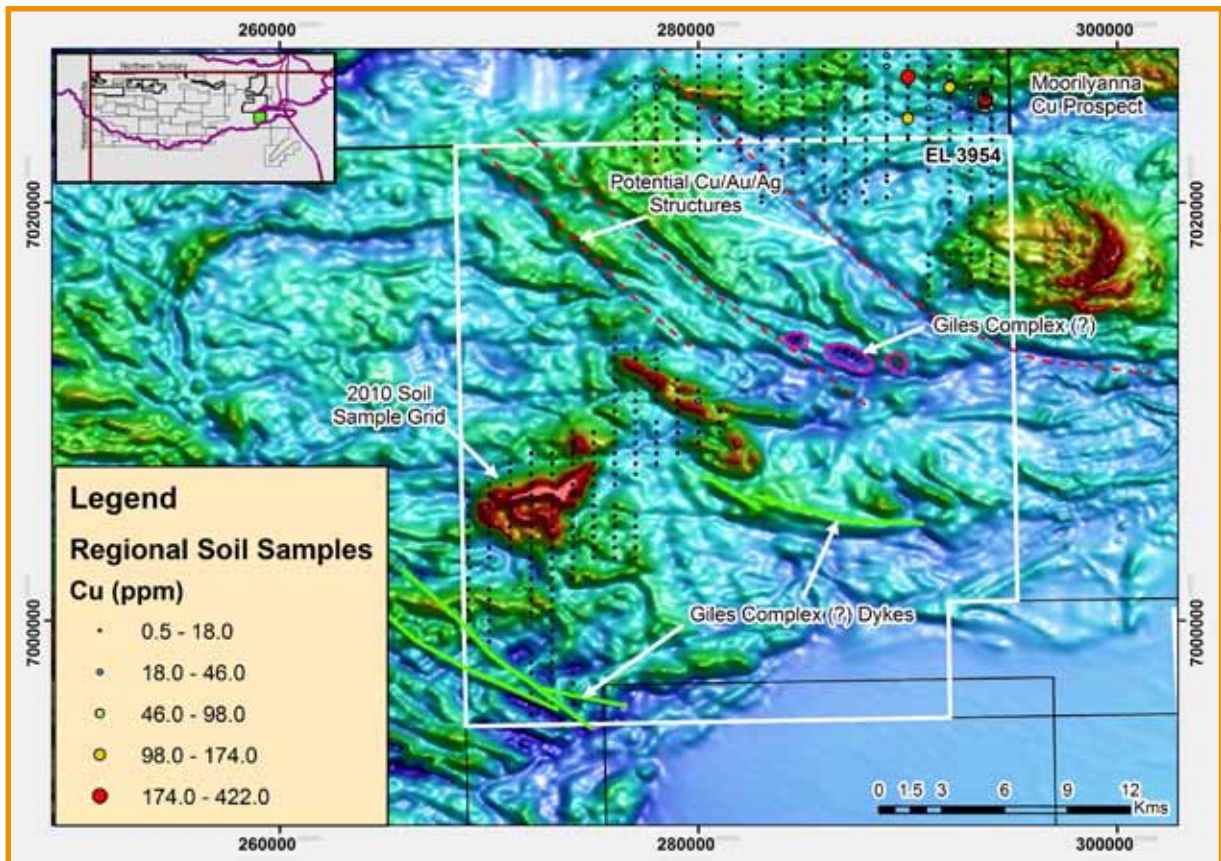


Figure 9: EL3954 Regional PIRSA Aeromagnetics (RTP HSI).

EL4047 Bryson Hill

Mithril successfully completed two heritage surveys which facilitated access for exploration on the western portion of EL4047. The Company also has approval for an airborne geophysical survey (VTEM) over the southeast portion of the tenement, which covers the interpreted extension of the Mt Marcus nickel-copper sulphide mineralised intrusion, located 40km to the south (Figure 10). In 2007 Pepinnini Minerals Limited drilled four RC drillholes and five diamond drillholes into the Mt Marcus intrusion and intersected disseminated sulphides intervals of up to 6m wide with a recorded maximum assay of 0.46% Cu and 0.13% Ni (Pepinnini Minerals Limited ASX release 29 August 2007). This confirms the intrusive system is fertile for nickel-copper mineralisation.

Heritage surveys over the central portion of the tenement have not been successful and at present the Company does not have access for exploration on the remainder of EL4047. However, consultations are on-going.

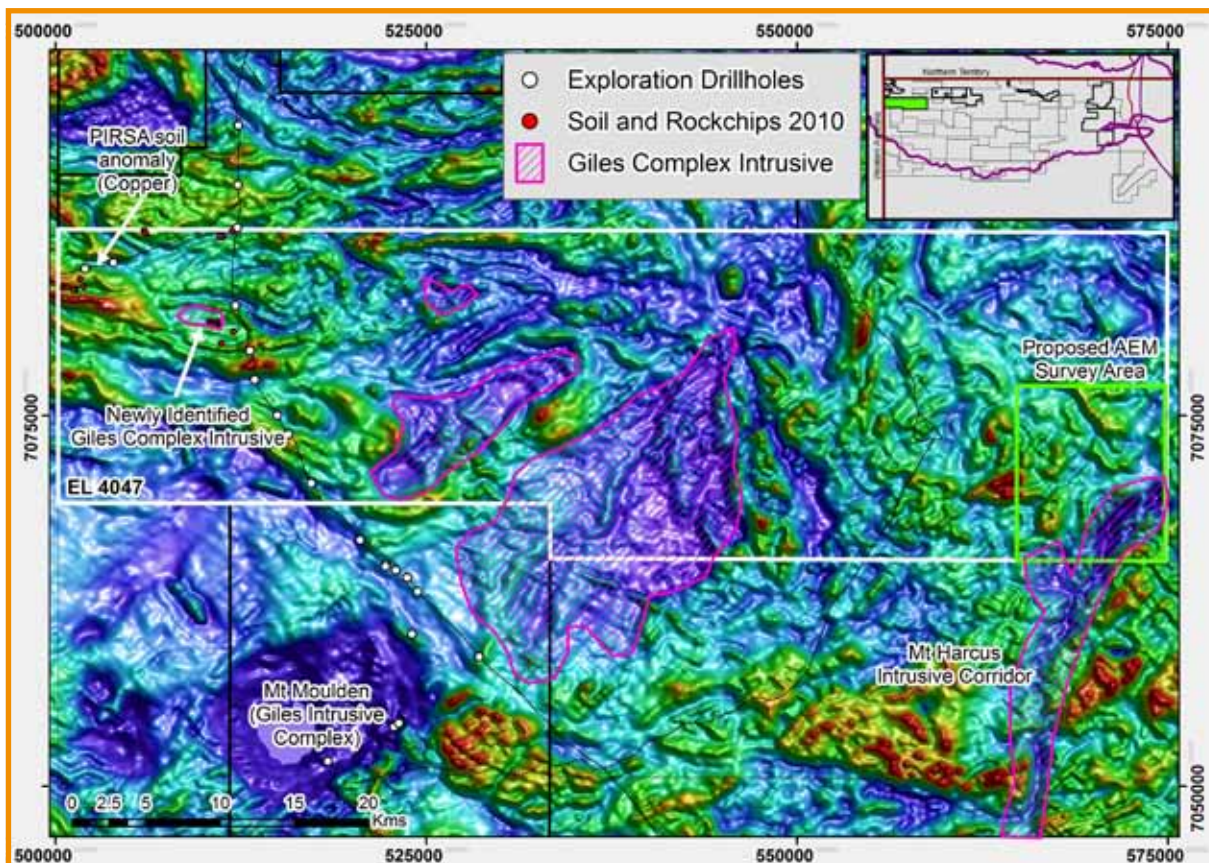


Figure 10: EL4047 Regional PIRSA Aeromagnetics (RTP HSI).

Priority Exploration Licence Applications

The Priority Exploration Licence Applications ('ELAs') comprise eight tenement applications that the Company anticipates will be granted in 2011. Field activities will commence on these ELAs once they have been granted and clearance surveys have been successfully completed.

ELAs 156/08 and 154/08 are tenements which have previously been explored by Rio Tinto Exploration Pty Limited from 1998-2004. They are situated entirely within the Company's EL3942 (Figure 3) and ELA 156/08 hosts the Mt Alvey PGE Prospect (Figure 4). Both applications are considered prospective for nickel-copper and PGE mineralisation.

ELAs 41/97, 54/97, 364/97 and 380/97 (Figures 11 and 12) are also considered to be prospective for nickel-copper sulphide mineralisation but they have seen little or no previous exploration. The tenements have significant amounts of mapped and interpreted Giles Complex and initial programs will include regional geological mapping and geochemical sampling.

ELAs 41/97, 341/96 and 342/96 (Figure 12) are all situated in close proximity to the main infrastructure of the APY lands. Extensive outcrop (particularly on ELA 341/96 and ELA 342/96), common Giles Complex rock types and numerous copper and nickel occurrences to the east, combine to make these areas some of the most prospective and under-explored regions in the central Musgrave Province.

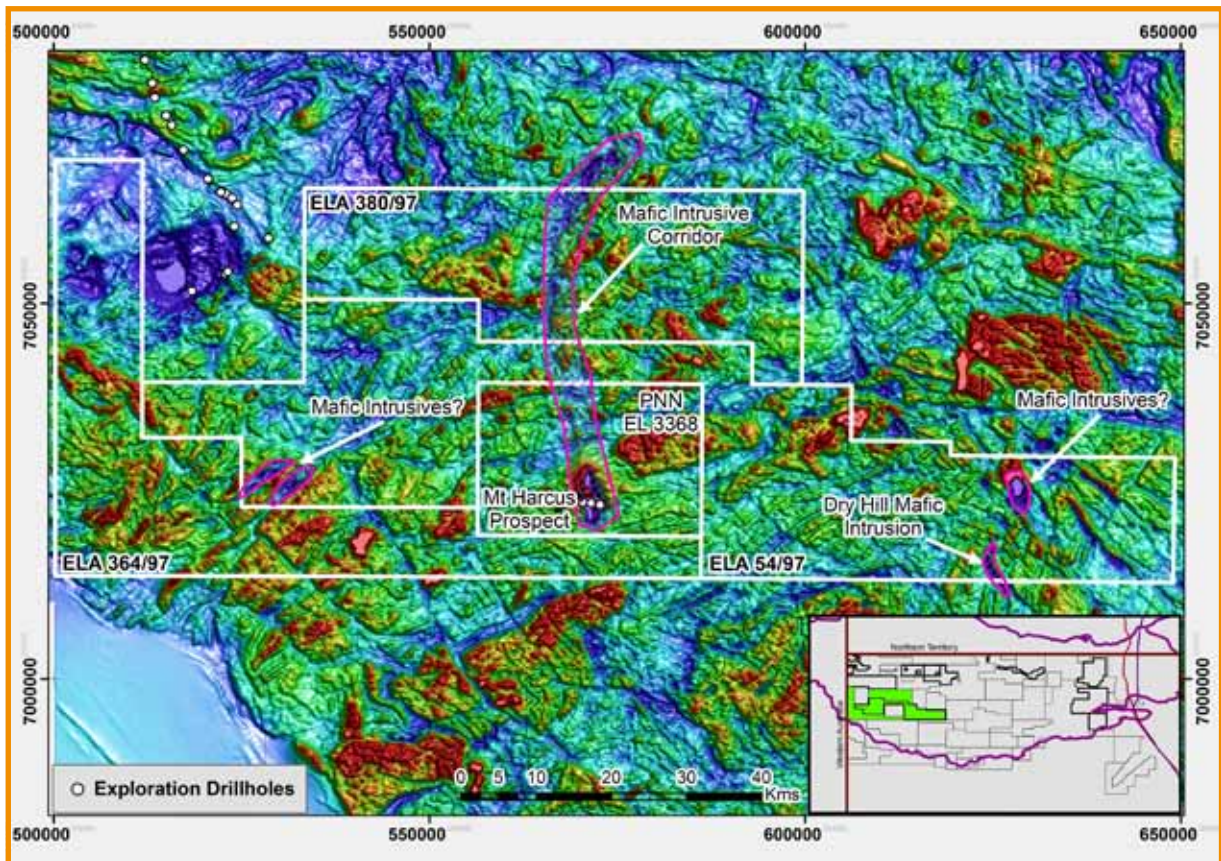


Figure 11: ELAs 54/97, 364/97 and 380/97 Regional PIRSA Aeromagnetics (RTP HSI)

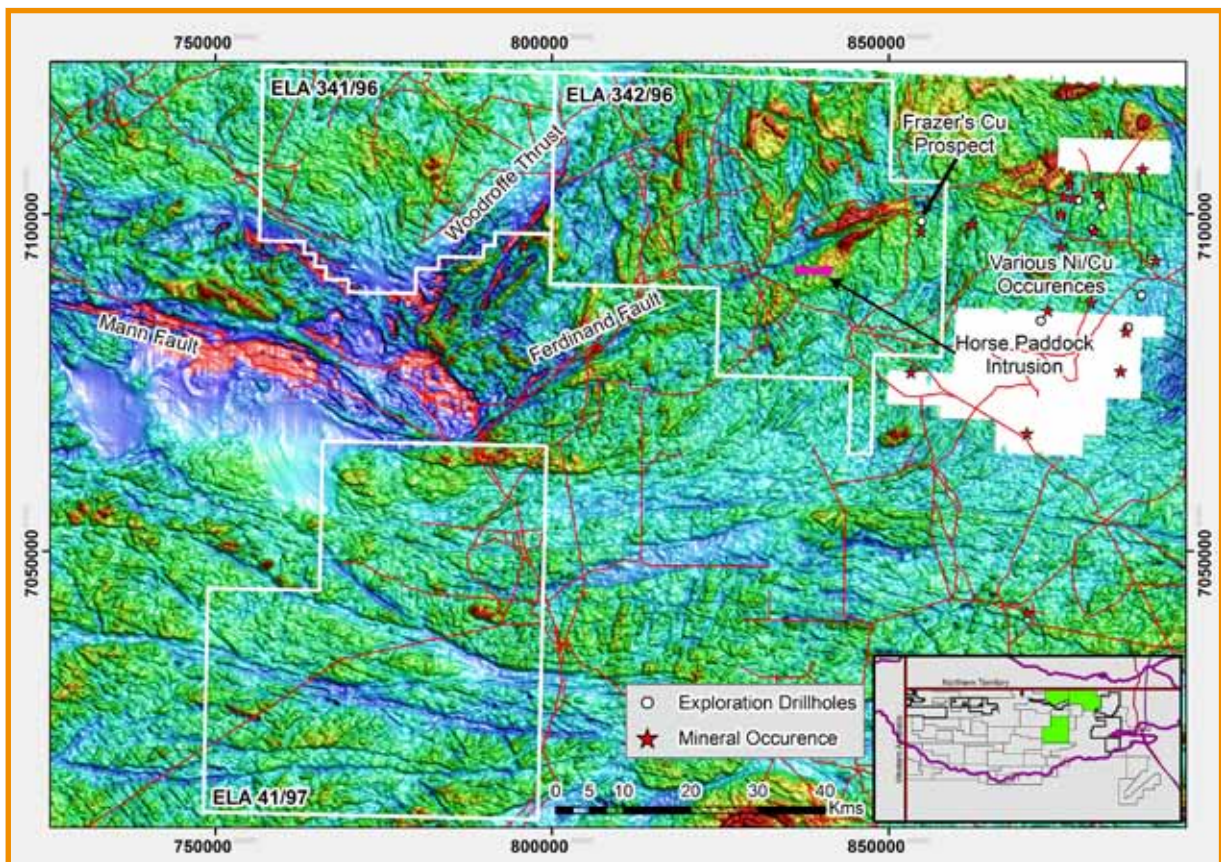


Figure 12: ELAs 41/97, 341/96 and 342/96 Regional PIRSA Aeromagnetics (RTP HSI)

Once granted, the initial exploration programs on these tenements will consist of regional geological mapping and rockchip sampling where significant outcrop exists. Elsewhere geophysical surveys will be completed over interpreted Giles Complex under thin cover.

The overall combination of favourable lithologies, regional-scale structures and nearby mineral occurrences across these eight ELAs have placed them in the high priority category and it is expected that, on grant, they will provide numerous exploration targets to feed into the stream of projects for Musgrave Minerals.

Other Exploration Licence Applications

Musgrave Minerals also holds exploration interests in a further 28 ELAs that have not been described in detail above. These tenements will be prioritised based on results from exploration over granted licences and progressively moved towards grant. Once granted, and after clearances surveys have been successfully completed, selected areas will be geologically assessed through regional geochemical, geological and geophysical programs. Following this, targets identified will be moved to the drill stage as quickly as possible through a combination of further exploration activities. It is expected that the first of these tenements will be moved toward the grant stage 12-24 months following the completion of the IPO.

4.4 Tenement Data

Granted Tenements	Number	Area (km ²)	Grant date	Company Interest
Hanging Knoll	EL3941	427	05-Oct-07	100%*
Mount Hardy	EL3942	565	05-Oct-07	100%*
Mount Woodroffe	EL3940	424	05-Oct-07	100%*
Mount Woodward	EL3939	22	05-Oct-07	100%*
Bryson Hill	EL4047	1534	25-Feb-08	0% (may earn up to 75%)**
Echo Hill	EL3955	1906	19-Oct-07	100%*
Everard Park	EL3954	714	19-Oct-07	100%*
High Priority ELAs				
Musgrave Ranges	ELA 342/96	2136	Application	100% on grant
Eunyarinna Hill	ELA 41/97	2385	Application	100% on grant
East Deering Hills T02771	ELA 154/08	37	Application	100% on grant
Pallatu T02770	ELA 156/08	12	Application	100% on grant
Ayliffe Hill	ELA 341/96	1230	Application	100% on grant
Krewinkel Hill	ELA 380/97	1256	Application	100% on grant
Mt Agnes	ELA 364/97	1342	Application	100% on grant
Mt Harcus	ELA 54/97	2360	Application	0% (may earn up to 75%)**
Other ELAs				
Ernabella South	ELA 260/96	519	Application	100% on grant
Harcus	ELA 144/97	835	Application	100% on grant
Marble Hill	ELA 262/96	463	Application	100% on grant
Myall Swamp	ELA 35/99	692	Application	100% on grant
Moombunya	ELA 186/97	1815	Application	100% on grant
South of Mt Illilinna	ELA 321/97	624	Application	100% on grant
Carbeena Hill	ELA 143/97	1040	Application	100% on grant
Mt Whinham	ELA 297/97	2015	Application	100% on grant

Cave Hill	ELA 468/97	215	Application	100% on grant
Mintabie	ELA 62/97	1926	Application	0% (may earn up to 75%)**
Cartu Hill	ELA 61/97	2108	Application	0% (may earn up to 75%)**
Mount Cooperinna	ELA 53/97	1013	Application	0% (may earn up to 75%)**
Kenmore Park	ELA 60/97	666	Application	0% (may earn up to 75%)**
Mount Poondinna	ELA 58/97	1721	Application	0% (may earn up to 75%)**
Mount Davenport	ELA 63/97	1957	Application	0% (may earn up to 75%)**
Oonmooninna	ELA 55/97	595	Application	0% (may earn up to 75%)**
Birksgate Range	ELA 57/97	1656	Application	0% (may earn up to 75%)**
Yelooginna	ELA 56/97	1241	Application	0% (may earn up to 75%)**
Bowden Hill	ELA 40/97	1507	Application	100% on grant
Holywater	ELA 31/01	338	Application	100% on grant
Mt Holder	ELA 340/96	2198	Application	100% on grant
Bull Hill	ELA 534/96	1783	Application	100% on grant
Wright Hill	ELA 336/96	653	Application	100% on grant
Streich Hills	ELA 337/96	1854	Application	100% on grant
Purndo Hills	ELA 338/96	620	Application	100% on grant
Punkerri Hills	ELA 339/96	1301	Application	100% on grant
South Pindyn Hills	ELA 605/97	152	Application	100% on grant
Moolalpinna	ELA 59/97	2308	Application	0% (may earn up to 75%)**

* Upon completion of the Tenement Sale Agreements referred to in Sections 10.2 to 10.6 of this Prospectus

** Subject to the terms and conditions of the Musgrave Block Farm-In and Joint Venture Agreement referred to in Section 10.7 of this Prospectus



4.5 EXPLORATION PROGRAM AND BUDGET

Scenario 1 – \$15 Million Raising

Previous work by Musgrave Minerals in the 2010 field season has outlined numerous exploration targets for further work post IPO.

The 2011 exploration program will focus on drill testing the high priority targets already defined. In addition, expansion of regional geochemical coverage and geophysical exploration will be undertaken. The low percentage of outcropping rock in the Musgrave Province will mean that there is a strong reliance on regional geophysics and bedrock drilling programs as exploration extends onto newly granted tenure.

A summary of the exploration program is as follows:

- Immediate diamond drill testing of the nine Ni-Cu sulphide EM targets on EL3942 (3,600m)
- Immediate aircore testing of Cu/Au mineralisation on Caprica Dyke in the Moorilyanna Project (5,000m)
- Extension of airborne geophysical coverage along intrusive corridors on EL3942 and EL4047 (3,000 line km)
- Regional geochemical drilling program on EL3941 and EL3942 (25,000m aircore)
- Follow-up of airborne geophysical anomalies with ground EM (200 line km)
- Detailed mapping and sampling (geochemistry and petrology) of surface geology on EL3940, EL3954 and EL3955
- Generation of detailed solid geology map of EL3941 and EL3942 from regional drilling/sampling to aid modelling mafic intrusive system to target blind mineralisation
- Extension drilling based on favourable results from the above exploration

Proposed Exploration Budget (\$15 million raised)

Item	Year 1 (\$)	Year 2 (\$)
Drilling (target evaluation)	2,300,000	2,000,000
Drilling (regional geochemistry)	810,000	610,000
Geophysics	1,750,000	1,500,000
Geochemistry	750,000	1,200,000
Geological Mapping	500,000	400,000
Tenements/Heritage	350,000	300,000
Expenses of the Issue	1,050,000	0
Administration	490,000	490,000
General Working Capital	250,000	250,000
Total	8,250,000	6,750,000

Scenario 2 - \$10 Million Raising

If the minimum capital raising is achieved, the amount of geophysics and drilling in regional areas will be restricted to lower levels. The main focus will remain on drill testing the high priority drill targets already defined. A much more selective approach would be applied to the regional geochemistry and geophysics programs with areas of highest prospectivity being tested.

Proposed Exploration Budget (\$10 million raised)

Item	Year 1 (\$)	Year 2 (\$)
Drilling (target evaluation)	1,600,000	1,400,000
Drilling (regional geochemistry)	550,000	400,000
Geophysics	790,000	790,000
Geochemistry	600,000	580,000
Geological Mapping	300,000	280,000
Tenements/Heritage	230,000	250,000
Expenses of the Issue	750,000	0
Administration	490,000	490,000
General Working Capital	250,000	250,000
Total	5,560,000	4,440,000

Scenario 3 - \$20 Million Raising

With a \$5 million oversubscription, a much more aggressive regional program with more geophysics and regional drilling would be possible. In addition, more flexibility will be available in the testing of drill targets with down-hole geophysics as well as detailed gravity surveys in areas of high prospectivity.

Proposed Exploration Budget (\$20 million raised)

Item	Year 1 (\$)	Year 2 (\$)
Drilling (target evaluation)	3,010,000	2,900,000
Drilling (regional geochemistry)	1,100,000	1,100,000
Geophysics	2,050,000	2,610,000
Geochemistry	1,200,000	1,700,000
Geological Mapping	500,000	400,000
Tenements/Heritage	350,000	350,000
Expenses of the Issue	1,250,000	0
Administration	490,000	490,000
General Working Capital	250,000	250,000
Total	10,200,000	9,800,000

It should be noted that the above exploration budgets will be subject to modification on an ongoing basis depending on the results obtained from exploration and development activities as they progress.

Due to market conditions, the development of new opportunities and/or any number of other circumstances (including the risk factors outlined in Section 5 of this Prospectus), actual expenditure levels may differ significantly from the above estimates.

4.6 Glossary Of Technical Terms And Abbreviations

Aeromagnetic Airborne survey of the Earth's magnetic field.

Ag Chemical symbol for the element silver.

air core drilling A form of shallow drilling; drill cuttings and short cores are recovered through the drill rods.

altered/alteration Change of composition by reaction with hydrothermal solutions.

anomaly Value or feature higher, lower or different to that expected or to the norm.

APY The administering body corporate constituted under the Anangu Pitjantjatjara Yankunytjatjara Lands Rights Act 1981 (SA).

APY Lands The area of aboriginal freehold land described in the First Schedule of the Anangu Pitjantjatjara Yankunytjatjara Lands Rights Act 1981 (SA).

Archaean Oldest division of the Precambrian Era. Older than 2500 Ma.

assay The process of determining the amount of various elements in a sample.

Au Chemical symbol for the element gold.

auger drilling A form of shallow drilling; drill cuttings are recovered along a spiral drill rod.

basement Generally refers to Precambrian igneous and metamorphic rocks. Oldest rocks in an area.

bedrock Hard layer of igneous or metamorphic rocks beneath a near-surface layer of generally younger unconsolidated sediment.

Birksgate Complex A package of granitic and sedimentary rocks regarded as the basement of the Musgrave Province.

breccia A rock fragmented into angular fragments within a finer grained matrix.

carbonate A mineral, containing carbon, oxygen and various other elements. Calcium carbonate commonly occurs as limestone or marble.

chalcopyrite A sulphide mineral, which is one of the principle ores of copper.

Co Chemical symbol for the element cobalt.

complex A package of strongly deformed rocks.

core Cylindrical rock sample generally produced by diamond drilling.

cover Generally a near surface blanket of sediments that 'cover up' basement.

crust Outer layer of the surface of the Earth.

Cu Chemical symbol for the element copper.

deposit A mass of naturally occurring mineral material, usually of economic value.

diamond drilling Method using a diamond bit to cut a cylindrical hole; core is taken.

disseminated A term used to describe fine grained minerals widely dispersed through the enclosing rock.

dyke A sheet-like body of igneous rock cutting across other rocks at an angle.

EL Exploration Licence.

ELA Exploration Licence Application.

EM Electromagnetic geophysical survey method.

fault Fracture in a rock sequence where one side has moved relative to the other.

Fe Chemical symbol for the element Fe

feeder An igneous dyke or sill connecting larger igneous chambers through which large amounts of magma has moved.

felsic Siliceous, feldspar-rich rocks (usually light coloured).

fold A bend in strata or in any planar structure.

Ga Billions of years before the present.

gabbro A coarse grained igneous rock, low in silica and high in magnesium and calcium.

geochemical Prospecting techniques which measure the content of certain metals in soils and rocks.

geochemistry Study of chemical properties of rocks and applications to mineral exploration.

Geophysical Prospecting techniques which measure the physical properties of rocks to define anomalies for further testing.

geophysics Study of physical properties of rocks, the Earth and exploration activities.

Giles Complex A package of mafic and ultramafic rocks of the same age being 1090 to 1070 Ma.

gneiss A term applied to banded rocks formed during very strong metamorphism.

gossan Weathered near-surface portion of a sulphide-rich deposit consisting essentially of a mass of hydrated iron oxides from which ore minerals have been removed.

grade A measurement or estimate of the quantity of an element in a sample.

granite A plutonic felsic igneous rock composed of quartz, feldspar and mica.

graphitic The description used for a rock, usually sedimentary containing a high proportion of carbon in the electrically conductive form of graphite.

gravity Measurement of the earth's gravitational attraction, reflecting density of underlying rocks.

g/t Abbreviation for grams per tonne, equivalent to parts per million (ppm).

heritage clearance A survey conducted to determine if there are any areas or sites of cultural significance to the traditional owners of the land.

host/hosted The term for a rock into which another rock or mineralisation has intruded.

high-resolution Describes the detail apparent in a processed magnetic image when it is flown with close-spaced lines; enables a more reliable sub-surface view.

HSI – Hue Saturation, Intensity A method used to produce colour images of data.

hydrothermal A process when hot water-rich solutions transfer materials or alter rocks.

igneous Descriptor for a rock formed by solidification from a molten rock or magma.

intrusion An igneous body formed when magma invades other rocks eg sills and dykes.

IP Induced polarisation - geophysical survey.

Joint Venture Arrangement between two or more parties to explore or develop a project.

Km Kilometre.

laterite An iron-rich rock that typically forms at the surface due to intense weathering and leaching of underlying bedrock.

lineament Straight or gently curved linear feature on the Earth's surface or on a map.

lithology Rock type - can include chemical composition, texture, colour etc.

m Metre.

M Million.

Ma Millions of years before the present.

mafic Descriptive term for a dark coloured igneous rock; low in silica.

magnetic survey A survey of the Earth's magnetic field either from the ground or the air.

magnetite A mineral rich in iron with strongly magnetic properties.

magma Naturally occurring molten rock eg a lava flow or fountain.

meta- Prefix to a recognisable rock type to denote affected by metamorphism.

metamorphism The process by which pre-existing rocks are changed by heat and pressure.

metasediment A metamorphosed sediment.

mineralisation An anomalous concentration of metals of potential economic interest.

Musgrave Province A geographical region of related rocks straddling the SA, WA and NT borders, centred on the Musgrave Ranges.

Mt Million tonnes.

Ni Chemical symbol for the element nickel.

O Chemical symbol for the element oxygen

ore A rock containing minerals of economic interest, extractable at a profit.

orebody A solid and fairly continuous mass of ore.

orogeny A period of mountain building during which rocks are strongly folded and deformed.

outcrop Similar to exposure, where rocks can be seen naturally at the Earth's surface.

Pb Chemical symbol for the element lead.

Pd Chemical symbol for the element palladium

pegmatite A very coarse-grained igneous rock having a grain size of 3cm or more.

pentlandite A sulphide mineral, which is one of the principle ores of nickel.

plutonic A large intrusive body of igneous rock formed at depth.

PIRSA Primary Industries and Resources South Australia; Government department incorporating the Geological Survey Branch of South Australia.

Pitjantjatjara Supersuite A large group of granitic rocks which intruded into the Musgrave Province about 1200 Ma.

PGE Platinum Group Elements; elements sharing similar chemical properties to platinum on the periodic table of elements.

ppb Parts per billion.

ppm Parts per million.

Precambrian Era of geological time before the Cambrian, from about 4600 to 545 Ma.

prospect A mining property, target or anomaly in which potential for significant mineralisation demonstrated.

prospective Said of a region or prospect thought to have potential of ore discovery.

Proterozoic Era of geological time between the Archaean and Cambrian from 2500 to 545 Ma.

province A large area or region unified in some way and able to be conceptualised.

Pt Chemical symbol for the element platinum

pyrite A sulphide mineral, rich in iron commonly called Fool's Gold.

pyrrhotite A sulphide mineral, rich in iron with weakly magnetic properties.

quartz Silicon dioxide, the commonest mineral in the Earth's crust.

RAB Rotary Air Blast; form of rotary drilling; drill cuttings are recovered outside the drill rods.

RC Reverse Circulation; form of percussion drilling; drill cuttings are recovered through the drill rods.

REE Rare Earth Elements

Rare Earth Elements; a group of elements sharing similar chemical properties on the periodic table of elements. Commonly used in electrical and High Tech industries.

remobilisation A process, usually involving fluids, whereby elements are moved from one position to another.

resources A well-defined estimate of mineralisation, not necessarily economic.

RTP – Reduced To Pole a processing method used on aeromagnetic data.

sampling Collection of a representative part of material, often for analysis or reference.

sedimentary Variety of rocks formed at the Earth's surface, by deposition of sediment.

shear (zone) Fracture (or zone of fracturing) along which movement has taken place.

strike The horizontal extension of a planar body along the surface of the earth.

sill A sheet-like body of igneous rock intruding in between (parallel to) other layered rocks.

structural corridor Large scale linear zone or belt recognised by geological feature alignment.

structure Total description of orientation and relative position of an area's rock units.

sulphides Minerals containing sulphur and metallic elements, often potential ore minerals.

suite A geological term for a collection of igneous bodies which formed at the same time.

supergene Process involving water, with or without dissolved material, percolating down from surface.

supersuite A geological term for a large collection of igneous bodies which formed at the same time. Usually composed of several suites.

targets Exploration targets consist of a location that can be tested by drilling; generally represent an anomaly from a survey or a geological concept.

tectonic Term used to relate a particular phenomenon to a structural or orogenic concept.

tectonic corridor A zone subjected to forces involved in the structural modification of rocks.

TEMPEST Electromagnetic geophysical survey method mounted in a fixed wing aircraft owned and operated by Fugro Airborne Surveys Pty Ltd.

tenement Exploration or mining land title allowing various actions eg an EL.

Tertiary The period of geological time extending from 65 Ma to 2.6 Ma.

Ti Chemical symbol for the element titanium.

thrust zone A zone subjected to very strong forces involved in the structural modification of rocks on a regional scale.

Ultramafic Descriptive term for a dark coloured igneous rock; very high in magnesium and iron, very low in silica.

underground In relation to mining where the ore is broken beneath the surface.

vacuum drilling A form of drilling; drill cuttings are recovered through the drill rods by suction rather than by compressed air.

vein Thin sheet-like infill of a fissure or crack, commonly with quartz and sulphides.

volcanism/volcanic All natural processes and/or products resulting from volcanic activity.

V Chemical symbol for the element vanadium.

V₂O₅ Chemical formula for the compound vanadium pentoxide

VTEM Helicopter-mounted electromagnetic geophysical survey technology owned and operated by GeoTech Australia Pty Ltd.

Weathered Decomposed by action of external natural agencies.

Zn Chemical symbol for the element zinc.



4.7 Competent Person Statement

The information in Sections 3 and 4 of this Prospectus that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Graham Ascough. Mr Ascough is a Member of the Australasian Institute of Mining and Metallurgy. Mr Ascough has more than five years experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Ascough is the Chairman of the Company.

Mr Ascough consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears.

5. Risk Factors

5.1 Introduction

The Shares offered under this Prospectus should be considered speculative because of the nature of the business activities of the Company. Whilst the Directors commend the Offer, potential investors should be aware that an investment in the Company involves risks, which may be higher than the risks associated with an investment in other companies.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's business and its involvement in the exploration industry. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the proposed business of the Company.

Persons considering whether or not to invest in the Company should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate, before any decision is made to apply for Shares. Prospective investors should consider whether the Shares offered are a suitable investment for them having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. If in any doubt, they should consult with their professional advisers before deciding whether to apply for Shares.

The following, which is not exhaustive, identifies some of the major risks associated with an investment in the Company, of which potential investors need to be aware before making a decision on whether or not to invest in the Company's Shares.

5.2 General Risks

(a) Exploration and Development

A significant risk for the Company is that the proposed exploration programmes will not result in exploration success. Mineral exploration by its nature is a high-risk endeavour and consequently there can be no assurance that exploration of the project areas described in this Prospectus, or any other projects that may be acquired in the future, will result in discovery of an economic mineral deposit. Should a discovery be made, there is no guarantee that it will be commercially viable. While the Directors will make every effort to reduce these risks through their experience in the exploration and mining industry, the fact remains that a commercially viable mineral discovery is very much the exception rather than the rule and success can never be guaranteed.

The future viability and profitability of the Company as an exploration and mining company will be dependent on a number of factors including, but not limited to, the following:

- commodity prices and exchange rates and, in particular, the price of nickel, copper, gold, platinum and palladium (**Relevant Minerals**);
- risks inherent in exploration and mining including, among other things, successful exploration and identification of ore reserves, satisfactory performance of mining operations (including risks relating to continuity of ore deposit, fluctuations in grades and values of the product being mined, and unforeseen operational and technical problems) and competent management;
- risks associated with negative exploration results, including statutory or voluntary relinquishment (in whole or in part) of tenements and the Company possibly withdrawing from a joint venture or not exercising an option to acquire equity, even though a viable mineral deposit may be present, but undiscovered;
- risks associated with obtaining grant of any exploration or mining tenements which are applications or renewal of tenements upon expiry of their current term;
- risks arising because of native title and/or Aboriginal land rights which may affect the Company's ability to gain access to prospective exploration areas to obtain production titles; compensatory obligations may be necessary in settling native title claims lodged over any of the tenements held or acquired by the Company in the future; the level of impact of these matters will depend, in part, on the location

and status of the tenements acquired by the Company;

- risks that exploration and mining may be adversely affected or hampered by industrial disputes;
- environmental management issues with which the Company may be required to comply from time to time;
- the risk of material adverse changes in the government policies or legislation of Australia affecting the level of mining and exploration activities;
- poor weather conditions over a prolonged period which might adversely affect mining and exploration activities and the timing of earning revenues;
- unforeseen major failures, breakdowns or repairs required to key items of exploration and mining plant and equipment or mine structure resulting in significant delays, notwithstanding regular programmes of repair, maintenance and upkeep;
- risks associated with the cost of maintaining exploration and mining properties, which depends on the Company having access to sufficient development capital; and
- risks associated with the financial failure or default by a participant in any of the joint ventures or other contractual relationships to which the Company is, or may become, a party.

(b) Development and Acquisition Opportunities

The success of the Company partially depends upon the Company's ability to identify, secure and develop a portfolio of high quality project interests and strategic industry partnerships. There is a risk that the Company will be unable to secure additional project interests on appropriate terms, thereby potentially limiting the growth of the Company.

If the Company acquires only a limited number of project interests, poor performance by one or a few of these could severely affect the performance of the Company and thereby severely impact the returns to investors. The integration of new project interests by the Company may also be more difficult, and involve greater costs, than anticipated.

(c) Dependence on Key Personnel

The Company's success depends to a significant extent upon key management personnel, as well as other management and technical personnel including those employed on a contractual basis. The loss of the services of certain personnel could have an adverse effect upon the Company and its activities. See Section 10.8 of this Prospectus for a summary of the employment Letter Agreement between the Company and Mr Robert Waugh as its incoming Managing Director and Section 10.9 of this Prospectus for a summary of the Contract of Employment between the Company and Dr Justin Gum as its Exploration Manager.

(d) Native Title, Aboriginal Lands and Land Access

The Company's activities in Australia are subject to the Native Title Act, the Anangu Pitjantjatjara Yankunytjatjara Land Rights Act 1981 (SA) and associated legislation relating to native title and Aboriginal land which are discussed in the Solicitors' Report on Tenements in Section 9 of this Prospectus. Uncertainty associated with native title and Aboriginal land issues may impact on the Company's future plans.

(e) Aboriginal Sites of Significance

Commonwealth and State legislation obliges the Company to protect sites of significance to Aboriginal custom and tradition. Further details of this legislation are set out in the Solicitors' Report on Tenements in Section 9 of this Prospectus. Some sites of significance may be identified within the Tenements. It is therefore possible that one or more sites of significance will exist in an area which the Company considers to be prospective. The Company's policy is to carry out clearance surveys prior to conducting exploration which would cause a disturbance to the land surface.

(f) Environmental Risks

The minerals and mining industries have become subject to increasing environmental responsibility and liability. The potential for liability is an ever-present risk. The use and disposal of chemicals in the mining industry is under constant legislative scrutiny and regulation.

Exploration work will be carried out in a way that causes minimum impact on the environment. Consistent with this, it may be necessary in some cases to undertake baseline environmental studies prior to certain exploration or mining activities, so that environmental impact can be monitored, and as far as possible, minimised. While the Company is not aware of any endangered species of fauna and flora within any of its project areas, no baseline environmental studies have been undertaken to date, and discovery of such could prevent further work in certain areas.

(g) Valuation of Tenements

No valuation has been completed of the exploration projects or the Shares of the Company. The Company makes no representation in this Prospectus as to the value of the exploration assets. It is recommended that intending investors and their advisors make their own assessment as to the value of the exploration projects.

(h) Limited Operating History

The Company has only a limited operating history to provide a guide to investors and Shareholders.

(i) Development Capital

Exploration and development costs will reduce the cash reserves of the Company, which may not be replaced through the successful development of mining operations, or should these mining operations prove unsuccessful or perform below the required levels. The Company would then be dependent on seeking development capital elsewhere, through equity, debt or joint venture financing, to support long term exploration and evaluation of its projects.

(j) Share Market Conditions

Share market conditions may affect listed securities regardless of operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- movements in, or outlook on, interest rates and inflation rates;
- currency fluctuations;
- commodity prices;
- changes in investor sentiment towards particular market sectors; and
- the demand for, and supply of, capital.

Investors should recognise that once the Shares are listed on ASX, the price of the Shares may fall or rise. Many factors will affect the price of the Shares including local and international stock markets, movements in commodity prices, interest rates, economic conditions and investor sentiment generally.

(k) General Economic Factors

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption may have an impact on operating costs, commodity prices and stock market processes. The Company's future possible revenues and Share price can be affected by these factors which are beyond the control of the Company and its Directors.

(l) Exploration Licences

The renewal of tenements upon expiry of their current term and the granting of applications for exploration licences is subject to Ministerial approval. Non-approval or a delay in the approval process could have a negative impact on exploration conducted by the Company as well as the Share price of the Company.

(m) Commodity Prices

Commodity prices are influenced by physical and investment demand for those commodities. Fluctuations in commodity prices may influence individual projects

in which the Company has an interest. Specifically, changes in the price of any Relevant Minerals may have an effect on the Company.

(n) Non-Completion of the Tenement Sale Agreements

The Tenement Sale Agreements referred to in Section 10 of this Prospectus are each subject to various conditions precedent. If any of those conditions precedent is not satisfied by 30 April 2011 (or such later date as the parties to each Tenement Sale Agreement may agree), a party to the Tenement Sale Agreement may rescind that Tenement Sale Agreement, in which event completion under the Tenement Sale Agreement will not occur and the Company will not acquire the Tenements the subject of that Tenement Sale Agreement.

5.3 Specific Risks

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors, including:

- geological conditions;
- alterations to programs and budgets;
- unanticipated operational and technical difficulties encountered in exploration, drilling and production activities;
- mechanical failure of operating plant and equipment, adverse weather conditions, industrial and environmental accidents, industrial disputes and other force majeure events;
- unavailability of survey, drilling or support equipment to undertake exploration activities;
- unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment;
- prevention or restriction of access by reason of political unrest, outbreak of hostilities, and inability to obtain consents or approvals (including clearance of work programmes pursuant to access agreements entered into with Anangu Pitjantjatjara Yankunytjatjara); and
- uninsured losses and liabilities.

5.4 Other Risks

The future viability and profitability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the exploration and mining industries including, but not limited to, the following:

- currency exchange rate fluctuations;
- the strength of the equity and share markets in Australia and throughout the world;
- general economic conditions in Australia and its major trading partners and, in particular, inflation rates, interest rates, commodity supply and demand factors and industrial disruptions;
- financial failure or default by a participant in any of the joint ventures or other contractual relationship to which the Company is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by the Company in its activities; and
- industrial disputation in Australia and overseas.

5.5 Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus. Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares in the Company.

6. Independent Technical Specialist's Report

AMC Consultants Pty Ltd

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INDEPENDENT TECHNICAL SPECIALISTS REPORT MUSGRAVE MINERALS

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17 February 2011

Graham Ascough
Chairman
Musgrave Minerals Limited
60 King William Road
Goodwood SA 5034

Dear Graham,

AMC Consultants is pleased to provide the attached Independent Technical Specialists Report, which describes our view on the prospectivity of the mineral assets held by Musgrave Minerals Limited.

Thank you for the opportunity to work with you on this interesting assignment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mike Thomas', written in a cursive style.

Mike Thomas
AMC Director and Principal Mining Consultant

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EXECUTIVE SUMMARY

Overview

The formation of Musgrave Minerals Limited (Musgrave) is an initiative of Mithril Resources Limited (Mithril), Independence Group NL (Independence) and Goldsearch Limited (Goldsearch). Musgrave has been formed to accelerate and enhance exploration success in the Musgrave Province in South Australia.

Musgrave is considering listing on the Australian Securities Exchange (ASX) prior to 30 April 2011. AMC Consultants Pty Ltd (AMC) was commissioned by Musgrave to provide an Independent Technical Specialist Report (The Report) for the exploration properties held by Musgrave to supplement a prospectus in respect of the listing.

The Report has been prepared independently and in accordance with the VALMIN Code¹ and the Australian Securities and Investments Commission (ASIC) Regulatory Guides 111 and 112, to the extent that they are relevant to the scope of work. The VALMIN Code provides guidelines to assist those preparing Independent Reports required for the assessment and/or valuation of Mineral and Petroleum Assets and Securities.

The Report has been prepared by Mr Aaron S. Meakin, Principal Geologist, AMC and peer reviewed by Mr Peter T. Stoker, Principal Geologist, AMC. Mr Mike Thomas, AMC Director and Principal Mining Consultant has authorised The Report. Each of these consultants is a corporate member of the Australian Institute of Mining and Metallurgy.

Description

The Report contains and is based on information provided by Musgrave. AMC has no reason to believe that the information provided by Musgrave is materially misleading, incomplete or contains errors that would materially affect the opinion made by AMC concerning the prospectivity of Musgrave's exploration properties. Musgrave has been provided with a draft of The Report to enable correction of any factual errors and to identify material omissions. The views, statements, opinions and conclusions expressed by AMC are based on the assumption that all data provided by Musgrave are complete, factual and correct to the best of Musgrave's knowledge.

AMC has not audited the technical information that has been provided, but has aimed to establish that the information has been prepared according to industry standards and is based on data of acceptable quality and reliability.

¹ Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, the VALMIN Code 2005 Edition, Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

In letters relating to AMC's engagement, Musgrave has agreed to comply with the obligations of the Commissioning Entity under the VALMIN Code, and has stated that to the best of its knowledge and understanding, complete, accurate and true disclosure of all relevant material information has been made.

AMC completed a field visit to the exploration properties on 15 January 2011 and 16 January 2011.

Tenement Status

AMC was not commissioned to carry out an independent review of the status of Musgrave's tenements but has been provided with advice from M & M Walter Consulting who are specialists in tenement and Native Title management. The advice states that the tenements are in good standing with no material issues.

AMC also received an email from the Department of Primary Industries and Resources of South Australia (PIRSA) on Friday 11 February 2011 confirming that the tenements that were due for renewal (ELs 3939, 3940, 3941, 3942 and 3954) are all in good standing and have been recommended for renewal for a further term of one year.

Exploration Properties

Musgrave's exploration properties are described in detail in the body of The Report.

Musgrave holds approximately 50,165 km² of tenements in the highly prospective Musgrave Province in South Australia. Musgrave holds seven Exploration Licences (ELs) and 36 Exploration Licence Applications (ELAs).

In South Australia, the Musgrave Province lies almost entirely within Anangu Pitjantjatjara Yankunytjatjara (APY) land, where exploration access has been limited and in some cases restricted since the *Anangu Pitjantjatjara Yankunytjatjara Land Rights Act 1981 [SA]* was passed.

Under the *APY Land Rights Act 1981*, procedures must be followed in order for the relevant authority, at this time being PIRSA, to grant an EL. In addition, a Deed of Exploration must be negotiated between the APY and the licence applicant prior to an offer of grant being sent by PIRSA to an applicant. The offer will set out the terms and conditions for the grant and the licensee must comply with the terms and conditions of the Deed of Exploration.

Musgrave expects four of its ELAs (364/97, 380/97, 54/97 and 41/97) to be granted shortly given that they have been cleared for grant under the *APY Land Rights Act*.

Within the seven granted ELs, four exploration deeds are currently in place totalling 3,210 km².

The Musgrave Province is considered highly prospective for intrusion hosted nickel copper sulphide deposits within the Giles Complex – one of the largest layered mafic to ultramafic intrusives in the world.

Within the Giles Complex, potential for other styles of mineralisation also exists, including:

- Stratiform cumulates of chromite.
- Vanadium in stratiform cumulates of titaniferous magnetite.
- Platinoids.
- Lateritic nickel.
- Carbonatite mineralisation.
- Ilmenite in plutonic anorthosite massifs.

Within the Musgrave Province, there is also considerable potential for the discovery of “Broken Hill Style” lead-zinc-silver with or without copper and sedimentary exhalative deposits in metasediments of the Birsgate Complex, shear hosted copper-gold-silver, and rare earth element (REE) mineralisation.

The potential for economic mineralisation within the Musgrave Province is supported by the discovery of deposits such as Wingellina (lateritic nickel) and Babel / Nebo (intrusion hosted nickel) by other companies. Both of these projects are currently the subject of significant exploration work programmes.

There has been little or no systematic exploration in the Musgrave Province and very little modern exploration, primarily due to the passing of the *APY Land Rights Act* in 1981. The remote location of the area and presence of cover have also hindered exploration activities.

AMC’s findings concerning Musgrave’s tenements are summarised below.

EL 3942

EL 3942 contains a diversity of rock types, and several styles of mineralisation have been identified. AMC believes that EL 3942 contains the most prospective exploration targets of all Musgrave’s tenements.

A favourable geological setting (potential feeder dyke system), the identification of chalcopyrite and pentlandite, and the existence of several electromagnetic (EM) conductors suggests that there is potential for massive nickel sulphide mineralisation to the south of the tenement within Giles Complex intrusives. Numerous EM conductors warrant drill testing.

Two allanite bearing pegmatite veins were observed in outcrop by AMC at the Deering Hills REE Prospect within gneissic terrain; one with a strike length of several tens of metres and the other with a strike length in the order of 80m. The pegmatites were spatially associated with a coarse grained calc-silicate rock. Additional work is required to better understand the nature of the REE mineralisation.

In AMC’s view, EL 3942 is a highly prospective tenement with multiple targets that could be tested in short time frames.

Prospective host rocks and limited historical exploration also render the greater tenement area prospective, and significant exploration work is warranted in this tenement.

EL 3954 and EL 3955

EL 3954 and EL 3955 contain a diversity of rock types in a structurally complex area. Basement lithologies are often concealed underneath cover. AMC considers that there is potential for intrusion hosted nickel-copper and shear hosted copper-gold-silver mineralisation to occur within both tenements.

Very little work has been completed on EL 3954 as a result of the thick aeolian sand that overlies the area. Only a small area has been subject to regional soil sampling and the vast majority of the tenement remains unexplored.

The potential for shear hosted copper-gold and intrusion hosted nickel-copper mineralisation has been demonstrated on EL 3955 at the Moorilyanna and Tuckerbox Prospects respectively, although economic widths and grades have not been identified at either.

The Moorilyanna Prospect represents an advanced exploration target that warrants drill testing. Elsewhere on EL 3955, there exist many geochemical and geophysical targets that warrant follow-up.

Significant exploration work is warranted in these prospective tenements.

EL 3940

EL 3940 contains significant outcrop of Giles Complex intrusives of mafic to ultramafic composition. Existing geochemical data from stream sediment samples is encouraging; however additional work is required to better understand the geological context for the anomalism.

The presence of late-stage faults also gives potential for structurally controlled hydrothermal mineralisation, although no geochemical data is available to support this.

Given the stream sediment anomalies defined, the presence of banded mafic to ultramafic intrusives, and the lack of detailed exploration to date, AMC considers EL 3940 prospective for nickel sulphide deposits, platinum group elements (PGE) mineralisation and vanadium-titanium bearing magnetite.

Significant exploration work is warranted on this tenement.

EL 4047

Access for exploration to approximately 60% of EL 4047 has been denied because there has been difficulty in locating traditional owners for the area. There is no indication if or when this will occur. Furthermore, an additional 30% of the tenement has not been heritage surveyed. Approximately 10% of the EL has been cleared for exploration activities.

EL 4047 is a prospective tenement that has seen virtually no exploration. The tenement potentially contains significant Giles Complex intrusives in an area where they are generally more mafic and therefore considered very prospective by AMC.

The tenement requires considerable exploration work to understand the nature and distribution of the basement lithologies. The level of cover remains largely unknown and requires assessment to determine the appropriate exploration methodology.

EL 3941

Exploration potential along the Mann Fault Zone within EL 3941 appears limited, possibly as a result of the lack of success of historical geochemical surveys.

To the south of the tenement, the presence of cover has precluded systematic exploration. Elevated chromium and nickel from limited Rotary Air-Blast (RAB) drilling may indicate the presence of Giles Complex intrusives to the south of the tenement.

Further exploration work is required to better understand the nature of the basement to the south of the Mann Fault.

EL 3939

The potential for nickel copper mineralisation appears to be limited within Giles Complex intrusives in the northern portion of EL 3939, primary due to the fact that lithologies are anorthositic gabbros (limited mafic component). There is some potential for titanium-vanadium and PGE within this northern project area, although existing work has only identified narrow zones of titanium-vanadium anomalism.

Elsewhere on the tenement, only limited work has been completed. The southern outcrop of Giles Complex in the project area has not been mapped / sampled in any detail. Furthermore, areas beneath cover in EL 3939 have not been sampled. The prospectivity of these areas remains unknown and further exploration work is therefore warranted.

ELAs – High Priority

Musgrave has identified eight of its ELAs covering 10,758 km² to be of high priority for exploration.

ELA 54/97, ELA 364/97 and ELA 380/97 are located near the Western Australian border and surround the Mount Marcus Prospect. Magnetic features suggest the presence of significant Giles Complex intrusives in the area.

ELA 154/08 and ELA 156/08 lie within EL 3942, which is considered the most prospective of Musgrave's ELs. ELA 156/08 hosts the Mount Alvey platinum palladium deposit while ELA 154/08 contains a series of Giles Complex intrusives that appear to link major layered intrusive complexes.

ELA 341/96, ELA 342/96 and ELA 41/97 are situated in close proximity to APY infrastructure including the towns of Fregon and Ernabella. A power generation plant is

situated between the two towns as well as the administrative centre of the APY lands – Umuwa. The ELAs lie within what is regarded as a key structural corridor, with five lineaments converging in the area. Significant outcrop of Giles Complex is known to exist on ELA 341/96 and ELA 342/96. ELA 41/97 contains widespread shallow cover; however three major regional structures associated with the mineralisation at Moorilyana are all present on the tenement. Minor copper mineralisation has been reported on ELA 342/96 (Frazers Prospect). All tenements have undergone very little exploration.

AMC considers that the presence of prospective host rocks and limited historical work that has been completed renders Musgrave's high priority ELAs as prospective.

ELAs – Other

Musgrave also holds 28 other ELAs covering 33,815 km². The majority of these tenements are in areas that have seen very little or no exploration. Shallow to moderate cover is observed in most areas.

AMC believes there is exploration potential within these tenements given the geological setting and lack of historical work.

Summary Statement on Exploration Properties

The Musgrave Province covers a vast area and contains a great diversity of geological environments, thus rendering the area prospective for many commodities. The low level of historical exploration is not commensurate with the high mineral potential of the area.

Detailed geological, geochemical and geophysical work has not yet been completed over the vast majority of the tenements held by Musgrave. The presence of cover, in conjunction with native title issues, has hindered previous exploration activities.

The large tenement holding presents Musgrave with a unique opportunity to increase geological knowledge across a considerable strike length of the vastly under explored province.

Expansion of geological knowledge and the application of modern exploration methods will provide Musgrave with an advantage in its quest to discover mineral deposits in a remote part of Australia.

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Distribution list:

3 copies to Mr Graham Ascough, Musgrave Chairman
1 copy to AMC Adelaide Office

1 INTRODUCTION

1.1 Engagement and Scope

The formation of Musgrave Minerals Ltd (Musgrave) is an initiative of Mithril Resources Limited (Mithril), Independence Group NL (Independence) and Goldsearch Limited (Goldsearch). Musgrave has been formed to accelerate and enhance exploration success in the Musgrave Province in South Australia.

Musgrave is considering listing on the Australian Securities Exchange (ASX) prior to 30 April 2011. Musgrave commissioned AMC Consultants Pty Ltd (AMC) to provide an Independent Technical Specialist Report (The Report) for the exploration properties held by Musgrave to supplement a prospectus in respect of the listing.

1.2 Preparation of AMC's Report

The Report has been prepared independently and in accordance with the VALMIN Code² and the Australian Securities and Investments Commission (ASIC) Regulatory Guides 111 and 112, to the extent that they are relevant to the scope of work. The VALMIN Code provides guidelines to assist those preparing Independent Reports required for the assessment and/or valuation of Mineral and Petroleum Assets and Securities.

In letters relating to AMC's engagement, Musgrave has agreed to comply with the obligations of the Commissioning Entity under the VALMIN Code, and has stated that to the best of its knowledge and understanding, complete, accurate and true disclosure of all relevant material information has been made.

1.3 Information Sources

AMC visited the exploration properties held by Musgrave on 15 January 2011 and 16 January 2011.

Musgrave has provided AMC with technical information relating to these exploration properties. AMC has not audited the technical information, but has aimed to establish that the information has been prepared according to industry standards and is based on data of acceptable quality and reliability.

The Report contains, and to a large extent is based on information provided by Musgrave. After due enquiry, AMC has no reason to believe that the information is materially misleading, incomplete or erroneous. Musgrave has been provided with a

² Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, the VALMIN Code 2005 Edition, Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

draft of The Report to enable correction of any factual errors and to identify any material omissions.

The views, statements, opinions and conclusions expressed by AMC are based on the assumption that all data provided by Musgrave are complete, factual and correct to the best of Musgrave's knowledge.

1.4 Contributors to the Report

The Report has been prepared by Mr Aaron S Meakin, BSc (Hons) MAppFin MAusIMM FFSI, who is a Principal Geologist with AMC. Aaron has 18 years experience in the mining and exploration industry.

The Report was peer reviewed by Mr Peter T Stoker, BSc, Dip Ed FAusIMM (CP), who is a Principal Geologist with AMC and has over 40 years experience in audit and due diligence studies of Mineral Resources and Ore Reserves. Mr Mike Thomas, MAusIMM, AMC Director and Principal Mining Consultant, has authorised The Report.

2 BACKGROUND

2.1 Musgrave Minerals Exploration Property Assets

Musgrave's exploration property assets are located within the Musgrave Province in South Australia. The tenements are considered prospective for a variety of commodities including nickel, platinum group elements (PGEs), rare earth elements (REEs) vanadium titaniferous magnetite, silver-lead-zinc, copper, gold and uranium.

Initial exploration occurred in the 1950's and 1960's. During this time, nickel laterite was discovered at Wingellina.

Throughout the 1970's, the South Australia Department of Mine and Energy (SADME) conducted regional reconnaissance mapping and sampling across the Musgrave Province, with most work focussed on the eastern extent near the Stuart Highway. Limited work was also completed by exploration companies in this eastern area at that time.

In South Australia, the Musgrave Province lies almost entirely within Anangu Pitjantjatjara Yankunytjatjara (APY) land, where exploration access has been limited and in some cases restricted since the *Anangu Pitjantjatjara Yankunytjatjara Land Rights Act 1981 [SA]* was passed. The *Aboriginal Heritage Act*, which provides protection for all aboriginal heritage sites in South Australia, was also passed in 1988.

After an Exploration Licence (EL) is granted, the holder must liaise with APY to obtain heritage clearance before commencing exploration activities.

The exploration properties that are the subject of The Report are ELs 3939, 3940, 3941, 3942, 3954, 3955 and 4047. Musgrave has 100% interest in ELs 3939, 3940, 3941, 3942, 3954 and 3955. EL 4047 is subject to a joint venture farm-in arrangement with Pitjantjatjara Mining Company Pty Limited (PMC) and Zeil No. 1 Pty Limited (Zeil) whereby Musgrave can earn increasing interest if expenditure hurdles are met.

Musgrave also holds numerous Exploration Licence Applications (ELAs). All ELAs located in APY lands are subject to the *APY Land Rights Act 1981 [SA]*. Procedures must be followed under this act in order for the Department of Primary Industries and Resources of South Australia (PIRSA) to grant an EL. In addition, a Deed of Exploration must be negotiated between the APY and the licence applicant prior to an offer of grant being sent by PIRSA to an applicant. The offer will set out the terms and conditions for the grant and the licensee must comply with the terms and conditions of the Deed of Exploration.

Within the seven granted ELs, four exploration deeds are in place totalling 3,210 km².

Musgrave expects four of its ELAs (364/97, 380/97, 54/97 and 41/97) to be granted shortly given that they have been cleared for grant under the *APY Land Rights Act 1981*.

2.2 Status of Musgrave Tenements

AMC was not commissioned to carry out an independent review of the status of Musgrave's tenements but has been provided the following advice from M & M Walter Consulting who are specialists in tenement and Native Title management:

We have been tenement managers for Musgrave Minerals Ltd (MML) since mid 2010 and can provide an independent assessment as to their status and good standing.

As such, we can confirm the following in regard to all tenements that MML either manage or have a beneficial interest in:

- All rents to PIRSA have been paid and made within the specified time as allowed under the SA Mining Act.*
- All compliance reporting including Expenditure Reports, Annual technical reports, where required have been lodged.*
- All renewals or Extension of Terms have been lodged within the specified period as allowed under the SA Mining Act and we would expect these to be granted.*
- There are no unexpected Caveats/Mortgages or any other encumbrances against the tenements.*
- To the best of our knowledge there are no Forfeiture proceedings against any tenements.*

In summary the tenements are in good standing with no material issues.

AMC also received an email from the Department of Primary Industries and Resources of South Australia (PIRSA) on Friday 11 February 2011 confirming that the tenements that were due for renewal (ELs 3939, 3940, 3941, 3942 and 3954) are all in good standing and have been recommended for renewal for a further term of one year.

The tenements owned by Musgrave are detailed in Table 2-1. The total tenement package covers 50,165 km².

Table 2-1 Musgrave Tenement Details

Granted Exploration Licences			
Tenement Name	Number	Area (km ²)	Grant Date
Hanging Knoll	EL 3941	427	05-Oct-07
Mount Hardy	EL 3942	565	05-Oct-07
Mount Woodroffe	EL 3940	424	05-Oct-07
Mount Woodward	EL 3939	22	05-Oct-07
Bryson Hill	EL 4047	1,534	25-Feb-08
Echo Hill	EL 3955	1,906	19-Oct-07
Everard Park	EL 3954	714	19-Oct-07
Total Area	-	5,592	-
Exploration Licence Applications High Priority ELAs			
Tenement Name	Number	Area (km ²)	
Musgrave Ranges	ELA 342/96	2,136	
Eunyarinna Hill	ELA 41/97	2,385	
East Deering Hills	ELA 154/08	37	
Pallatu	ELA 156/08	12	
Ayliffe Hill	ELA 341/96	1,230	
Krewinkel Hill	ELA 380/97	1,256	
Mt Agnes	ELA 364/97	1,342	
Mt Marcus	ELA 54/97	2,360	
Total Area	-	10,758	
Other ELAs			
Ernabella South	ELA 260/96	519	
Harcus	ELA 144/97	835	
Marble Hill	ELA 262/96	463	
Myall Swamp	ELA 35/99	692	
Moombunya	ELA 186/97	1,815	
South of Mt Illilinna	ELA 321/97	624	
Carbeena Hill	ELA 143/97	1,040	
Mt Whinham	ELA 297/97	2,015	
Cave Hill	ELA 468/97	215	
Mintabie	ELA 62/97	1,926	
Cartu Hill	ELA 61/97	2,108	
Mount Cooperinna	ELA 53/97	1,013	
Kenmore Park	ELA 60/97	666	
Mount Poondinna	ELA 58/97	1,721	
Mount Davenport	ELA 63/97	1,957	
Oonmooninna	ELA 55/97	595	
Birksgate Range	ELA 57/97	1,656	
Yelooginna	ELA 56/97	1,241	
Bowden Hill	ELA 40/97	1,507	
Holywater	ELA 31/01	338	
Mt Holder	ELA 340/96	2,198	
Bull Hill	ELA 534/96	1,783	
Wright Hill	ELA 336/96	653	
Streich Hills	ELA 337/96	1,854	
Purndo Hills	ELA 338/96	620	
Punkerri Hills	ELA 339/96	1,301	
South Pindyin Hills	ELA 605/97	152	
Moolalpinna	ELA 59/97	2,308	
Total Area	-	33,815	

- EL 3941 – Geological mapping, follow-up ground electromagnetics (EM) of airborne EM (TEMPEST³) targets, Rotary Air-Blast (RAB) drilling of areas that are interpreted to contain mafic intrusives that lie under cover, and diamond drilling of ground EM conductors.
- EL 3942 – Airborne EM to test the East Deering Feeder Zone and Pallatu Magmatic Corridor, follow-up ground EM of airborne EM (TEMPEST and VTEM⁴) targets, RAB drilling of areas that are interpreted to contain prospective vanadium titanium magnetite horizons and lie under cover, and follow-up of the Mount Alvey platinum palladium intersection.

2.3.2 ELs 3954 and 3955

ELs 3954 and 3955 have joint reporting status. Exploration expenditure on these tenements for the period 2008 through 2010 totalled approximately A\$1.0 million.

The proposed exploration programs include, but are not limited to the following activities:

- EL 3954 – Geological mapping, regional soil sampling, vacuum / aircore sampling across covered areas, airborne EM across the major structural corridors, follow-up ground EM of airborne EM (VTEM) targets, and diamond drilling of ground EM targets.
- EL 3955 – Hand auger geochemistry traverses across anomalous soil lag / rock chip areas, RAB traverses across geochemically anomalous areas, geological mapping and sampling of cleared outcrops, extension and infill soil sampling across areas of shallow cover and sub-cropping basement, vacuum / aircore sampling across covered areas, airborne EM across the major structural corridors, follow-up ground EM of airborne EM (VTEM) targets, and diamond drilling of ground EM targets.

2.3.3 EL 4047

Approximately 60% of EL 4047 is currently denied access for exploration because there has been difficulty in locating traditional owners for the area. Should access be granted, reconnaissance scale geological mapping, soil and rock chip sampling is planned.

2.3.4 High Priority ELAs

Exploration programmes have also been planned for those ELAs that are expected to be granted in early 2011. The nature and timing of these activities will be determined by the EL grant date and completion of heritage surveys prior to access.

³ TEMPEST is an airborne electromagnetic system that was developed to combine the capabilities of a high frequency near surface electromagnetic system with those of a low frequency sine wave time domain system.

⁴ VTEM is an airborne electromagnetic system that offers a high signal to noise ratio and high depth penetration.

Field activities planned for 2011 are as follows.

- ELA 364/97 Mount Agnes – mapping, soil sampling and Airborne EM.
- ELA 54/97 Mount Marcus – mapping, soil sampling and Airborne EM.
- ELA 41/97 Eunyarinna Hill – regional soil sampling, Airborne EM, and ground EM.
- ELA 380/97 Krewinkel Hill – mapping, soil sampling and Airborne EM.
- ELA 342/96 Musgrave Ranges – mapping, soil sampling, Airborne EM, and ground EM.
- ELA 154/08 East Deering Hills – ground EM and target drilling.
- ELA 156/08 Pallatu – ground EM and target drilling.
- ELA 341/96 Ayliffe Hill – regional soil sampling and mapping.

2.3.5 Budget

Musgrave has two drill-ready prospects and numerous other less advanced prospects.

Musgrave has prepared a high level budget for the planned exploration programmes based on \$A10 million, \$A15 million and \$A20 million capital raisings.

All three capital raising scenarios will enable Musgrave to complete drill testing of the advanced prospects (Moorilyanna in EL 3955 and Deering Hills EM targets in EL 3942) and progress work at the other regional prospects. Higher capital raising scenarios will enable regional work to advance more quickly.

Due to the lack of historical exploration across the tenements, it is likely that budgets will be materially amended as data is collected, conceptual geological models evolve, and prospectivity is re-assessed.

The proposed exploration expenditure meets or exceeds the required expenditure under the tenement conditions.

In AMC's opinion, Musgrave has a satisfactory exploration and expenditure programme that suits its stated objectives, and the exploration properties have sufficient technical merit to justify the budgeted exploration and expenditure programme.

2.4 Musgrave Minerals: Management, Technical Staff and Corporate Consideration

Musgrave has an experienced management team which, in AMC's opinion, is suitably qualified and experienced to effectively manage exploration programs to industry standards when funds become available.

The management team includes:

Mr Graham Ascough – Chariman

Graham Ascough is a qualified geophysicist with over 22 years of exploration experience and was Manager of Nickel and PGM Exploration for Falconbridge (Australia) Pty Ltd prior to his appointment as Managing Director of Mithril Resources Ltd in October 2006. He is a Councillor of the South Australian Chamber of Mines and is Chair of its Exploration Committee. He is a corporate member of the Australian Institute of Mining and Metallurgy and a Professional Geoscientist of Ontario, Canada.

Mr Robert Waugh (Managing Director)

AMC has been advised by Musgrave of the recent appointment of Mr Robert Waugh as Managing Director. Mr Waugh is expected to take up the position in March 2011.

Mr. Waugh has over 24 years experience in the resources sector including more than eight years in the Musgrave region. Mr. Waugh was a member of the WMC Resources Limited exploration team that discovered the Nebo / Babel nickel-copper-PGM deposits in the West Musgrave region in 2000. He was subsequently Project Manager of the team that defined the initial Nebo / Babel Mineral Resource. Mr Waugh has held senior exploration management positions at WMC Resources Limited, BHP Billiton Exploration Limited, Fusion Resources Limited, Cameco Australia and most recently was Exploration Manager for Raisama Limited. Mr. Waugh spent over 19 years with WMC and subsequently BHP Billiton, following the takeover of WMC in 2005. He has extensive exploration and mining experience in a range of commodities including nickel, copper, gold, uranium and PGM's. Mr. Waugh holds a Bachelor of Science degree majoring in Geology from the University of Western Australia and a Master of Mineral Economics degree from Curtin University and the Western Australian School of Mines. Mr Waugh is a corporate member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists.

Kelly Ross, (Non-Executive Director)

Kelly Ross is a qualified accountant holding a Bachelor of Business (Accounting) and has the designation CPA from the Australian Society of Certified Practising Accountants. Ms Ross is a Chartered Secretary with over 25 years experience in accounting and administration in the mining industry. She is an Executive Director of Independence Group NL and has been the Company Secretary of Independence Group NL since 2001.

John Percival, (Non-Executive Director)

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 Limited. In addition he has extensive experience in stockbroking, corporate finance and investment management. Mr Percival is currently Executive Director – Operations of Goldsearch Limited.

Donald Stephens, (Company Secretary)

Donald Stephens is a chartered accountant with over 25 years experience in corporate accounting, corporate finance, management consulting and corporate governance. He is a director of Papyrus Australia Limited and Mithril Resources Limited and is the

company secretary for Minotaur Exploration Limited, Toro Energy Limited, and Petratherm Limited. Donald is a corporate adviser across various industry sectors including mineral exploration, energy technologies and precision agriculture.

Dr Justin Gum – Exploration Manager

Justin Gum has approximately 22 years experience as a geologist working in the exploration industry and South Australian geological survey. He completed his PhD in 1998. He has significant experience in magmatic nickel-copper mineralisation including a secondment to the Voisey's Bay Ni-Cu deposit in Canada in 2004. He also has experience with Proterozoic gold systems in the Tanami and sedimentary exhalative lead-zinc mineralisation in the Adelaide Fold Belt. He worked in and managed PIRSA's Musgrave Province Team in the APY lands for six years. He was employed as a Senior Exploration Geologist with Mithril prior to being appointed as Exploration Manager with Musgrave in 2010.

3 EXPLORATION PROPERTIES

3.1 Regional Geology

The content of this chapter is summarised from information contained on the PIRSA website.

The Mesoproterozoic Musgrave Province extends across the borders of South Australia, Western Australia and the Northern Territory.

The province has historically been divided into two parts; the Mulga Park sub-domain to the north of the south-dipping Woodroffe Thrust, and the Fregon sub-domain to the south of this thrust.

The oldest rocks in the province are the Olia Gneiss and the Birsgate Complex, which date around 1,600 Ma to 1,300 Ma.

The Musgrave Orogeny occurred around 1,200 Ma producing granites, migmatites and pegmatites of the Pitjantjatjara Supersuite. A subsequent phase of magmatism around this time led to the intrusion of the Giles Complex, which is the primary focus of current exploration activities. The Hinckley-Scarface Fault Zone, the Mann-Ferdinand Fault Zone, the Davenport Shear Zone and the Woodroffe Thrust Zone are major structures that were activated during the Musgrave Orogeny.

Further mafic dyke intrusions occurred around 820 Ma (Amata Dolerite).

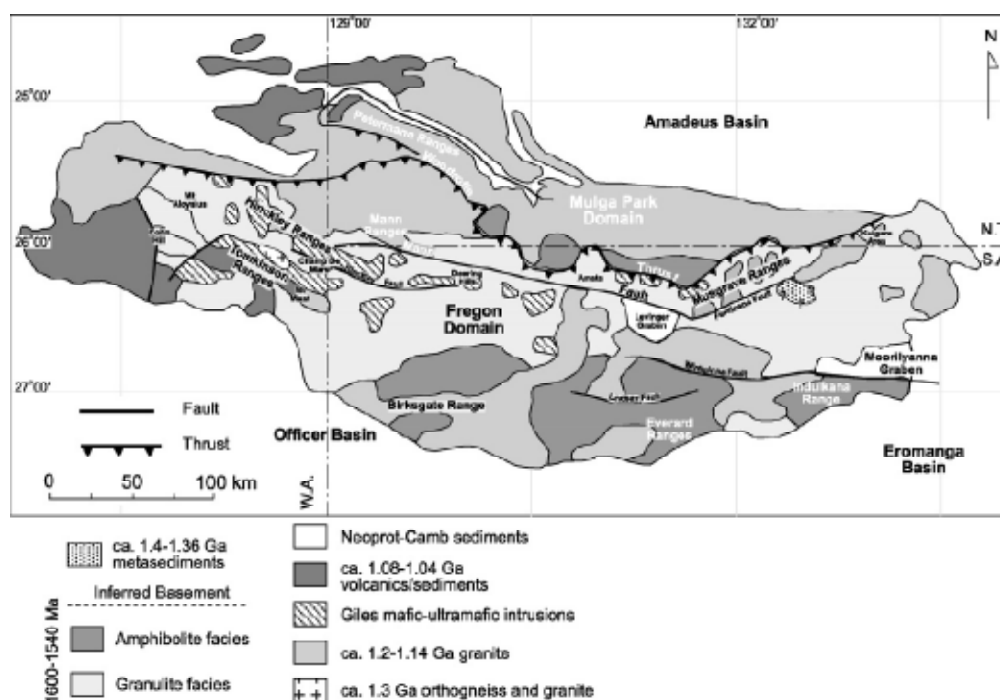
Reactivation of earlier major structures occurred during the 550 Ma Petermann Orogeny and resulted in the development of high strain mylonites and ultra-mylonites along these major structures. Sedimentation associated with the Petermann Orogeny is thought to be responsible for the formation of the Georgina, Officer, Ngalia and Amadeus Basins.

Adelaidean metasediments and Palaeozoic sediments of the Officer Basin are present along the southern margins of the Musgrave Province, while Mesozoic sediments of the Eromanga Basin overlap the eastern margins.

The Levenger and Moorilyanna Grabens also formed during the Petermann Orogen – at flexures in the orogenic belt.

Figure 3-1 shows the geology of the Musgrave Province.

Figure 3-1 Musgrave Province Geology



From Wade et al, 2008

3.2 Exploration Strategy

It has long been recognised that Giles Complex intrusions are prospective for nickel copper sulphide deposits. Within the Giles Complex, potential also exists to discover other styles of mineralisation including:

- Stratiform cumulates of chromite.
- Vanadium in stratiform cumulates of titaniferous magnetite.
- Platinoids.
- Lateritic nickel.
- Carbonatite mineralisation.
- Ilmenite in plutonic anorthosite massifs.

There is also considered to be potential for other styles of mineralisation including "Broken Hill Style" lead-zinc-silver with or without copper, iron ore hosted copper-gold, hydrothermal shear hosted copper-gold, and pegmatite hosted rare earth element deposits.

The potential for economic mineralisation is evidenced by the discovery of deposits such as Wingellina and Babel / Nebo. Wingellina (owned by Metals X Limited) is a lateritic nickel deposit, which is currently the subject of a feasibility study. Babel / Nebo (owned

by BHP Billiton Limited), is a major low-grade nickel sulphide deposit. Significant expenditure has recently been incurred at Babel / Nebo in an attempt to locate higher grade feeder zones to the mineralisation and new deposits.

Musgrave is primarily focused on exploration for magmatic nickel sulphide deposits within mafic to ultramafic lithologies of the Giles Complex.

3.3 EL 3939 – Mount Woodward

3.3.1 Description

EL 3939 is held by Musgrave (100%). The tenement covers 22 km² and is located approximately 85 km south-south-east of Uluru.

Exploration on this tenement is for titanium and/or vanadium bearing magnetite within gabbroic anorthosites of the Giles Complex. In the project area, the Woodroffe Thrust underlies Giles Complex intrusives and dips shallowly to the west. This major thrust zone is strongly mylonitic with pseudotachylite also evident. Giles Complex lithologies dip approximately 30° to the east with a thickness in the order of several hundred metres in the project area. The Giles Complex is interpreted to represent the top portion of a layered intrusive system. Previous work has shown that the western contact of the Giles Complex (with the Pitjantjara Supersuite Charnockite) is structural. There are two distinct Giles Complex outcrops in the project area.

No exploration is known to have occurred on EL 3939 prior to 2008. Since that time, exploration has been limited to rock chip and soil sampling and reconnaissance mapping. A total of 187 geochemical samples (103 rock chip, 53 soil samples, and 31 magnetic lag samples) have been collected to date. All of these samples have been taken from the northern Giles Complex outcrop. The geology and nickel geochemistry are shown in Figure 3-2.

The southern outcrop of Giles Complex in the project area has not been mapped or sampled in any detail. Furthermore, areas beneath cover in EL 3939 have not been sampled.

The prospectivity of these areas remains unknown and it is AMC's opinion that further work is warranted.

3.4 EL 3940 – Mount Woodroffe

3.4.1 Description

EL 3940 is held by Musgrave (100%). The tenement covers 424 km² and is located approximately 140 km southeast of Uluru.

The tenement is centred on Giles Complex intrusives of mafic to ultramafic composition, which are flanked by granitic rocks to the north and south. Giles Complex intrusives are generally layered on a scale of several metres. Late faults exist in the project area and are associated with quartz-epidote veining.

Exploration is for nickel-copper sulphide, PGE and vanadium-titanium bearing magnetite within Giles Complex intrusives.

Historical exploration within the tenement has been somewhat limited.

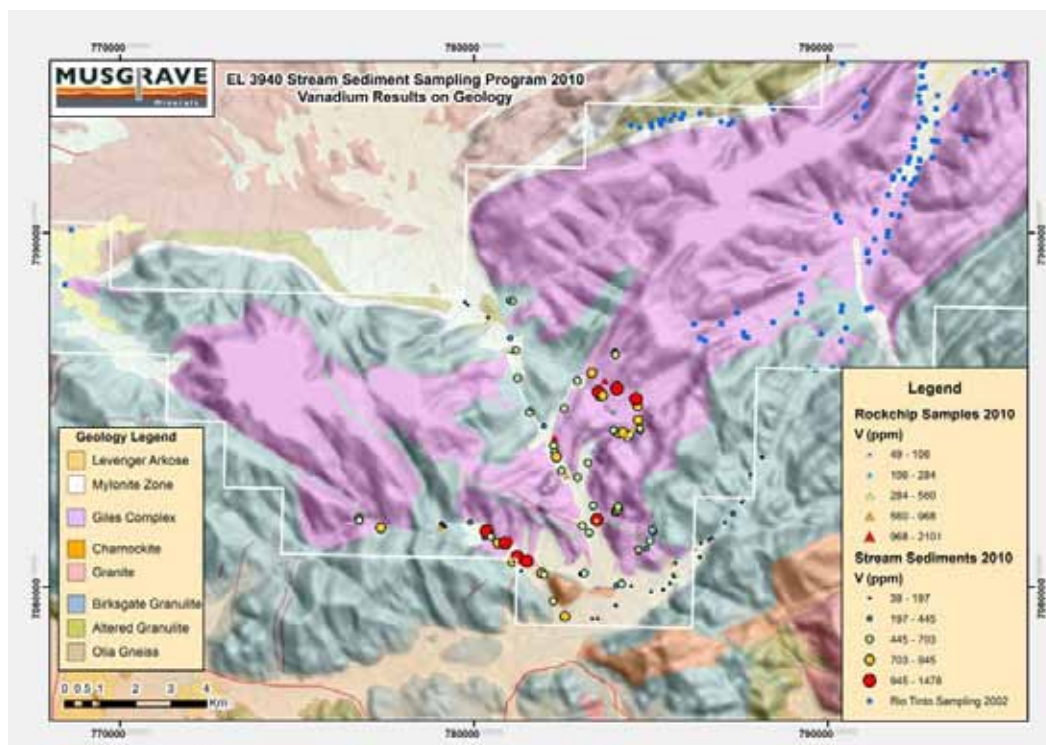
In 1971, the SADME completed stream sediment sampling over the central region of the tenement using a fine size fraction (<40µ).

Geological mapping and stream sediment sampling was completed between 1996 and 2003. The stream sediment sampling was completed over the eastern and western regions of the tenement using a slightly coarser fraction than the SADME sampling. This work confirmed the presence of Giles Complex mafic and ultramafic rocks throughout the area and identified nickel and copper anomalism at the eastern end of the tenement.

In 2009, Mithril completed further geochemical sampling (10 rock chip, 6 soil, and 11 stream sediment samples) around the area of nickel and copper anomalism identified earlier, but no significant anomalies were identified.

In 2010, Musgrave completed stream sediment sampling in the central part of the tenement, again using a coarser fraction than the SADME sampling fraction. Only first and second order streams were sampled due to the rugged topography. Two zones of vanadium titanium anomalism were defined (Figure 3-3). The anomaly to the south-west was found to be due to a 5–10 m wide magnetite rich outcrop. The anomaly to the north was not positively identified in outcrop; however the area coincides with a prominent linear magnetic horizon.

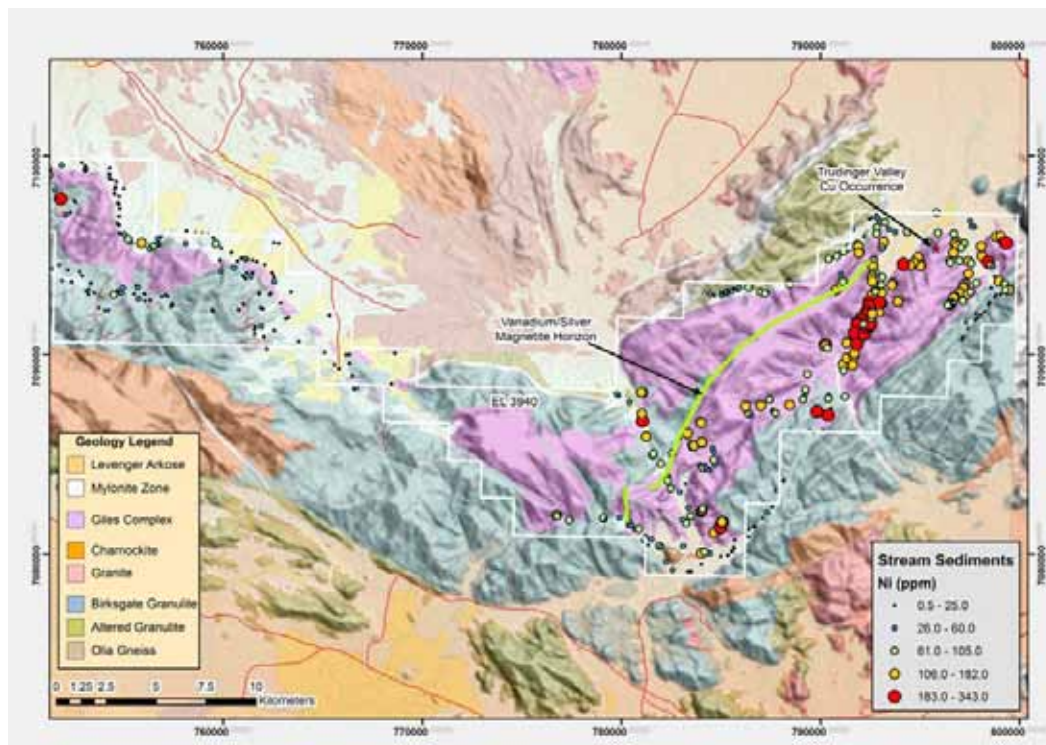
Figure 3-3 Vanadium Results (Stream Sediment and Rock Chip Sampling)



Compiled by Musgrave Minerals, February 2011

Low-level nickel anomalism was also identified from stream sediment sampling. Figure 3-4 shows the geology and nickel results from historical and recent stream sediment sampling. The background level of nickel within the Giles Complex is less than 280 ppm.

Figure 3-4 EL 3940 Geology with Stream Sediment Results and Topography



Compiled by Musgrave Minerals, February 2011

Thirty-five rock chip samples were taken from a variety of rock types in 2010 within the Giles Complex to check stream sediment anomalism. Results are summarised in Table 3-1.

Table 3-1 2010 Rock Chip Sampling

Element (ppm)	Minimum	Maximum	Mean
Silver	<0.5	4.6	0.85*
Cerium	<20	1,636	100*
Lanthanum	<20	689	47*
Nickel	<1	724	188*
Phosphorus	129	21,536	3,770
Titanium	2,019	33,666	10,724
Vanadium	49	2,101	486

*Note below detection samples were replaced with a value equal to half the detection limit to calculate means

Additional geological investigation is required to provide context for these results. In addition, background concentrations for the various lithologies that exist within the Giles Complex are currently poorly understood.

3.4.2 AMC Opinion – EL 3940

EL 3940 contains significant outcrop of Giles Complex intrusives of mafic to ultramafic composition. Existing geochemical data is encouraging; however additional work is required to better understand the geological context for the anomalism.

The presence of late-stage faults also gives potential for structurally controlled hydrothermal mineralisation, although no geochemical data is available to support this.

A considerable proportion of the tenement remains unexplored. Further work is warranted both within the outcropping areas and also under cover.

Given the stream sediment anomalies defined, the presence of banded mafic to ultramafic intrusives and the lack of detailed exploration, AMC considers EL 3940 prospective for nickel sulphide deposits and vanadium-titanium bearing magnetite.

3.5 EL 3941 – Hanging Knoll

3.5.1 Description

EL 3941 is held by Musgrave (100%). The tenement covers 427 km² and is located approximately 120 km south-west of Uluru.

The main geological feature in the tenement is the Mann Fault, which is interpreted to be a thrust fault that dips moderately to the south. The Mann Fault trends west-northwest and straddles the northern boundary of the tenement. To the south of the Mann Fault, there is a considerable amount of cover.

A minor occurrence of quartz-copper carbonate was discovered by a prospector at the eastern end of the tenement. Copper mineralisation is believed to be associated with north-south trending quartz veining, which post date quartz-epidote veins and is parallel to the orientation of the Mann Fault.

Exploration is for vein hosted copper deposits adjacent to the Mann Fault Zone and intrusion hosted nickel sulphide deposits.

An airborne EM survey (TEMPEST) was flown across the area in 2002.

In 2008, Mithril completed RAB drilling (Figure 3-5) along tracks / roads to investigate the rock types and geochemistry of areas of interpreted Giles Complex and the depth and nature of the regolith. The drilling confirmed the presence of deeply weathered fluvial palaeochannels and also showed that the depth of regolith is highly variable (5-80 m). Most of the holes drilled in the western portion of the tenement failed to reach basement. The eastern holes generally reached basement, with mafic lithologies suggesting the presence of Giles Complex toward the southern end of the traverse.

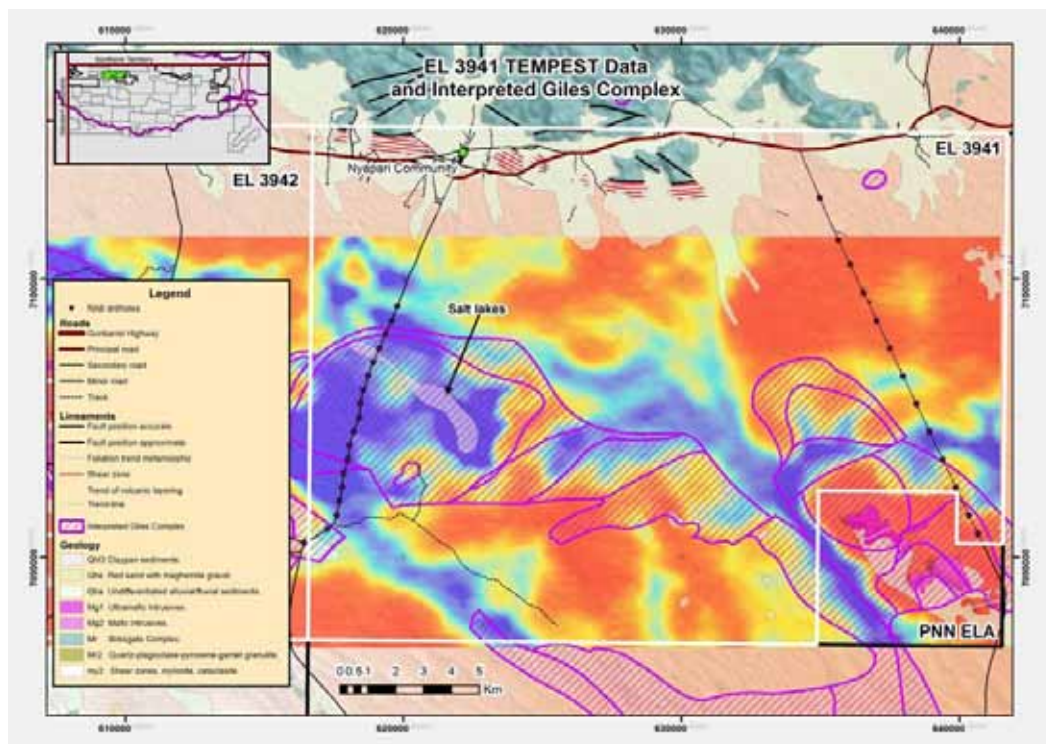
Reconnaissance-scale geological prospecting and geochemical sampling (rock chip, lag and soil sampling) was also completed in 2008 to establish the applicability of the surface regolith as a sampling medium and the variability in its geochemistry, also to establish the lithologies of the various outcrops. No anomalism was detected across the Mann Fault Zone.

In 2010, a program of soil sampling and rock chip sampling was conducted along the northern portion of the tenement across the Mann Fault Zone, targeting vein hosted copper mineralisation.

Coarse lag sampling was used across the area, with low results recorded. Rock chip samples were taken from outcrops at the margins of the soil sampling grid across the lithologies of interest (sheared / veined granulites) with only low levels of copper detected (<60 ppm).

Figure 3-5 shows the interpreted geology of EL 3941. Airborne EM (TEMPEST) data is shown as an overlay (useful in determining palaeochannel locations).

Figure 3-5 EL 3941 Summary Geology with TEMPEST Overlay



Compiled by Musgrave Minerals, February 2011

3.5.2 AMC Opinion – EL 3941

Exploration potential along the Mann Fault Zone appears limited, following the lack of success of historical geochemical surveys.

To the south of the tenement, the presence of cover has precluded systematic exploration. Elevated chromium and nickel may indicate the presence of Giles Complex intrusives and further work is warranted.

The lack of historical exploration and likely presence of Giles Complex intrusive renders the tenement prospective; however no advanced targets have been generated.

3.6 EL 3942 – Mount Hardy

3.6.1 Description

EL 3942 is held by Musgrave (100%). The tenement covers 565 km² and is located approximately 140 km southwest of Uluru.

The tenement contains Giles Complex intrusives, gneissic lithologies of the Birsgate Complex and significant cover.

Exploration is primarily for intrusion hosted nickel sulphides, although the potential for “Broken Hill Style” mineralisation was previously identified. Allanite (which contains REEs) bearing pegmatites have also been discovered in gneisses to the west of the tenement.

Historical mapping of the area at 1:250,000 scale was completed by SADME in the early 1960’s.

Geological mapping and sampling was completed in the late 1990’s over a wide area of East Deering Hills and discovered a zone of platinum palladium mineralisation on the contact between a gabbro-norite and a meta-gabbro. Results included 15 m grading 0.72 g/t platinum plus palladium, and 25 m grading 0.51 g/t platinum plus palladium on two traverses 300 m apart. These results were followed up by Reverse Circulation (RC) drilling which returned similar anomalism with results up to 14 m grading 0.42 g/t platinum plus palladium.

A TEMPEST survey was flown in 2000 across the area which identified 12 prospective conductive targets. Approximately 50 km of ground based transient EM (TEM) surveys was then completed over these targets in 2002 using 100 m x 100 m moving loop configuration at 100 m centres (closed to 50 m centres in more conductive areas). Six of these targets were considered prospective after this work.

Soils sampling was completed across the more prospective geophysical targets and suggested the potential for “Broken Hill Style” mineralisation.

RC drilling was then completed (three RC holes with diamond tails holes for 759 m) into three of the anomalies, targeting base metal sulphides in granulites which would have explained the best of the TEMPEST and TEM anomalies. Graphite and graphite

sulphide (primarily pyrrhotite) accumulations were intersected and these are reported to account for the bedrock conductivity. The potential for these types of deposits was then downgraded and the remaining TEMPEST targets were not drill tested for this reason.

PIRSA subsequently completed geological mapping on the tenement between 2002 and 2004. A laterally extensive mafic dyke was recognized over a distance of 7 km and was interpreted to represent a feeder dyke for the East Deering Hills intrusive complex. This interpretation follows the discovery of significant country rock fragments within the intrusion.

Mithril further reviewed the TEMPEST data and generated 38 targets (KAN01 - KAN38) in 2008 and conducted ground EM over selected targets.

Mithril also completed RAB drilling in 2008 along roads / tracks within the tenement. The drilling confirmed the presence of deeply weathered fluvial palaeochannels and showed that the depth of regolith is highly variable (5-80 m). Giles Complex mafic and ultramafic lithologies were intersected in their interpreted position north and south of Mount Alvey and platinum palladium anomalism was confirmed immediately east of Mount Alvey. The drilling also discovered nickel anomalism close to the northern contact of the Giles Complex.

Reconnaissance-scale geological prospecting and geochemical sampling (rock chip, lag and soil samples) was also completed in 2008. A large area of magnetic float and outcrop was discovered in the southeast corner of the tenement.

Several lines of ground magnetics were also completed to assist in the sighting of two, Plan for Accelerating Exploration (PACE) funded diamond drillholes to test for easterly extensions of platinum-palladium mineralisation previously discovered on the tenement. The holes intersected platinum-palladium mineralisation of a similar grade and thickness as that intersected previously.

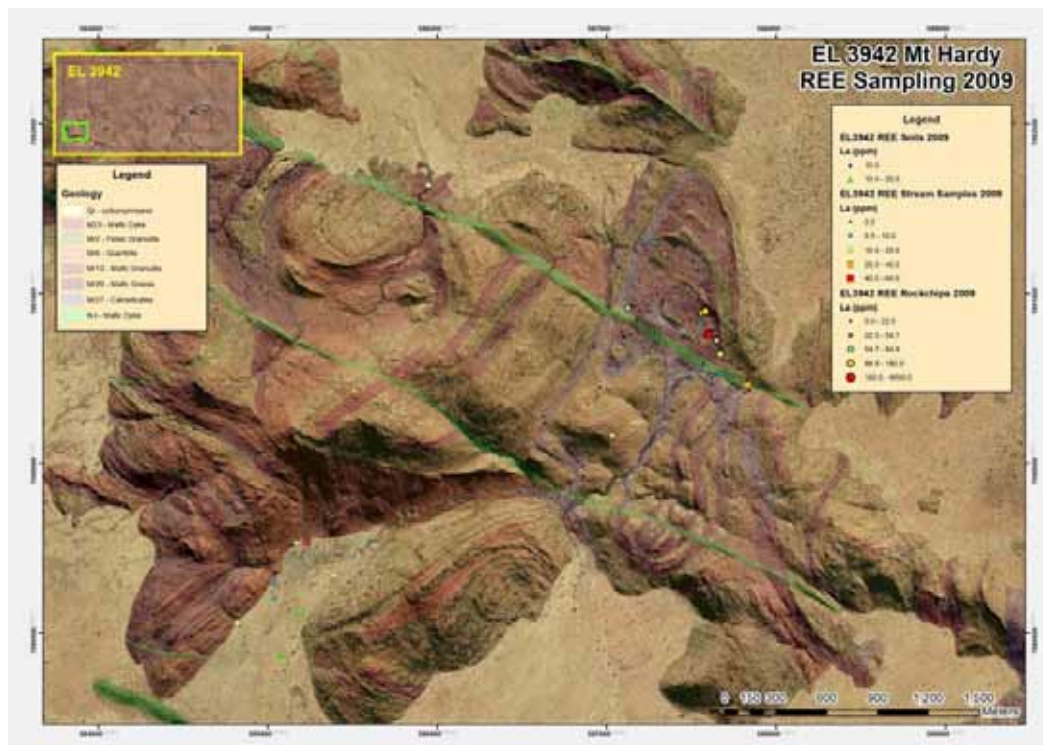
In 2009, outcrop sampling was completed to follow-up PIRSA reported anomalous REE values (in the Deering Hills region to the west of the tenement).

Mithril collected 67 rock chip samples, 19 stream sediment samples and two soil samples. REE bearing allanite was found in pegmatite veins and calc-silicate host rocks. Cerium and lanthanum results are summarised in Figure 3-6 and Figure 3-7 respectively.

Figure 3-6 Rock Chip Sampling Programme – Cerium Results



Figure 3-7 Rock Chip and Soil Sampling Programmes – Lanthanum Results



*Compiled by Musgrave Minerals, February 2011

In 2010, more detailed mapping was completed across the tenement to fill in areas not previously covered by PIRSA. A previously unrecognized Giles Complex intrusive was identified in the central part of the tenement during this work. This area coincides with a TEMPEST airborne EM anomaly identified earlier.

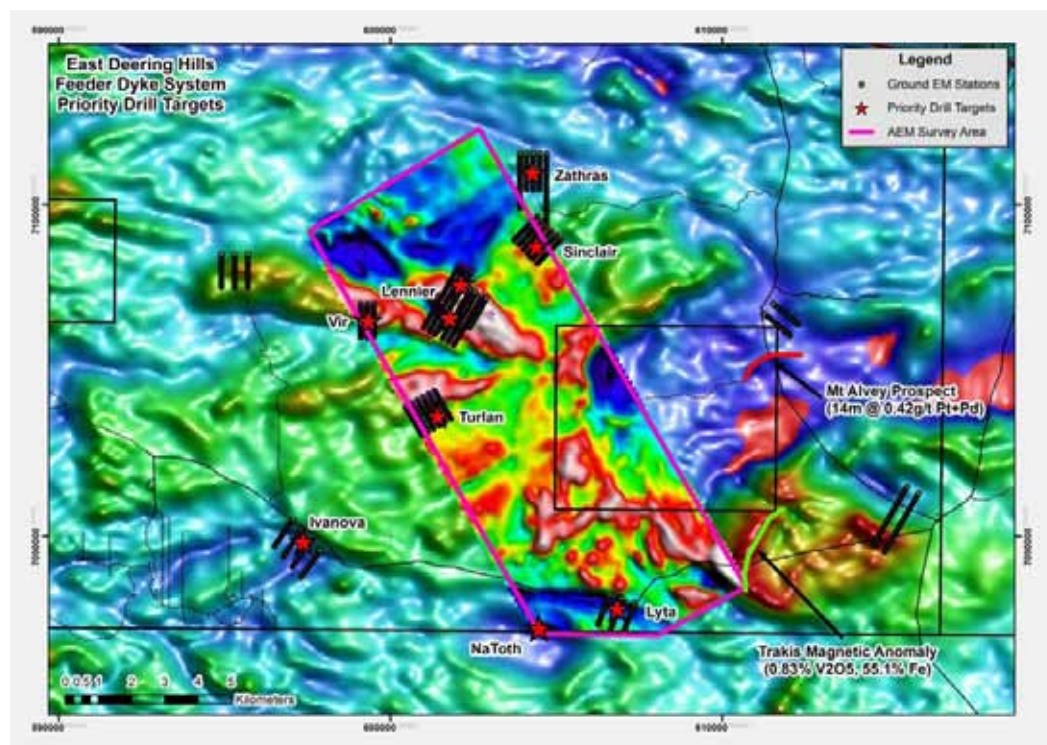
Minor sulphides were also discovered in the feeder dyke previously discovered by PIRSA. The dyke plunges under cover to the south which has so far prevented meaningful geochemical sampling. To the north, hand auger and rock chip sampling was completed where the dyke is covered in colluvium, no anomalous results were recorded.

In November 2010, Musgrave completed VTEM over 100 km² around this interpreted feeder zone. This work was followed up by ground EM over several of the target areas (Turlan, Lyta, Ivanova, Vir, Lennier, NaToth, Sinclair and Zathras). A written summary of the results from this work is not yet available; however AMC discussed the results with Musgrave's geophysics consultant on 8 February 2011 and was provided with graphs showing the ground EM models.

Nine EM targets have been generated (Figure 3-8). The black lines in Figure 3-8 show the ground EM traverses.

The Ivanova, Lennier, Zathras, Lyta, Sinclair and Talia anomalies represent the previously defined KAN19, KAN22, KAN23, KAN24, KAN25 and the KAN31 anomalies while Turlan, Vir and NaToth are new targets based on the 2010 VTEM work.

Figure 3-8 EL 3942 VTEM Targets with Magnetic Underlay

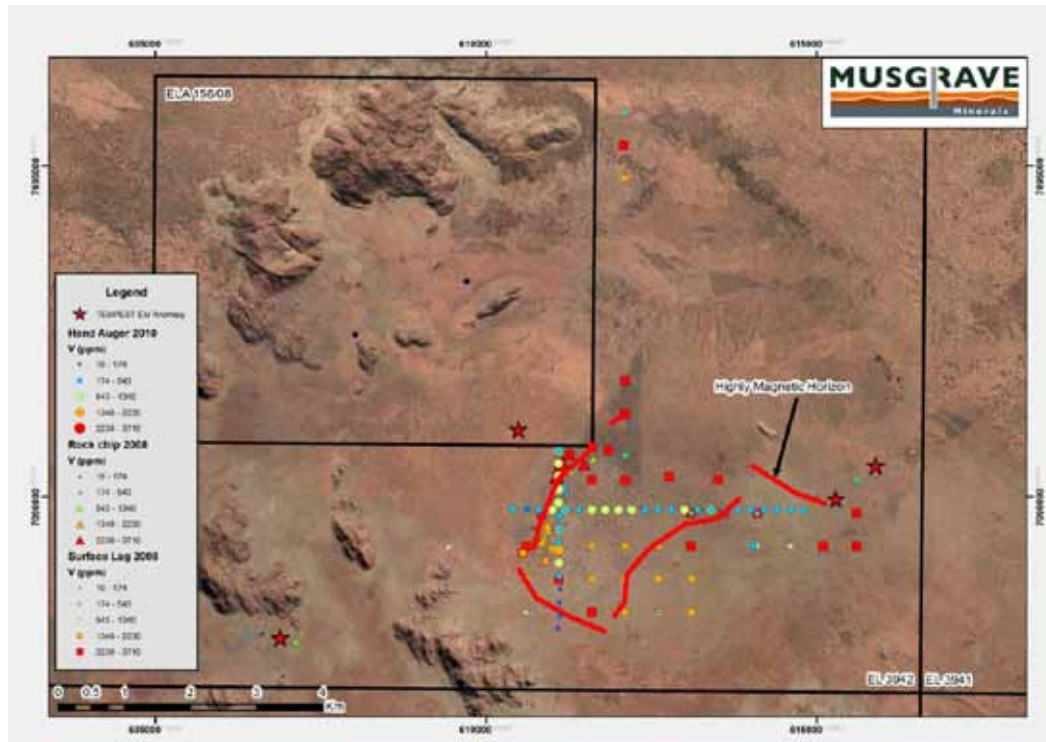


**Compiled by Musgrave Minerals, February 2011*

The Trakis Prospect (Figure 3-9) was also investigated by Musgrave in 2010 by auger, rock chip and sieved (2—6 mm) lag sampling. Results are summarised in Figure 3-9.

Auger sampling was less than adequate (restricted to a depth of <1 m due to a fractured adapter) and lag sampling was only found to be of limited use as magnetic lag was found distributed across the plain as sheet wash. Additional hand auger sampling is required to help understand the nature of basement lithologies in this area.

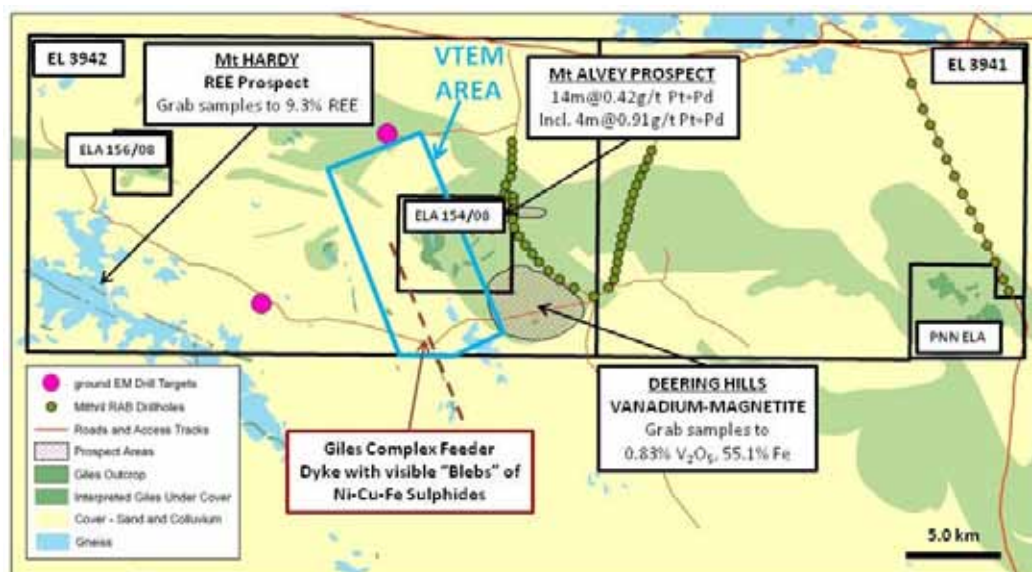
Figure 3-9 Trakis Prospect



**Compiled by Musgrave Minerals, February 2011*

The main exploration targets within EL 3942 are shown in Figure 3-10 along the main geological units. The Trakis Prospect is labelled as “Deering Hills Vanadium-Magnetite”.

Figure 3-10 EL 3942 Exploration Targets



*Compiled by Musgrave Minerals, February 2011

3.6.2 AMC Opinion – EL 3942

AMC believes that EL 3942 contains the most advanced exploration targets of all the Musgrave tenements.

Elevated REE concentrations have been identified but the controls to the mineralisation are poorly understood. At least two allanite-bearing pegmatite veins were observed by AMC (one with a strike length of several tens of metres and the other with a strike length in the order of 80 m). The pegmatites were spatially associated with a coarse grained calc-silicate rock.

There is potential for massive nickel sulphide mineralisation on EL 3942. The presence of numerous clasts within the dyke may indicate a feeder dyke system to the south of the tenement. Furthermore, chalcopyrite and pentlandite have been identified in the area, albeit in minor concentrations. The existence of several late time ground EM conductors in the area (particularly at Zathras and Ivanova) is encouraging. Late time conductors are more likely to be basement responses and therefore may indicate the presence of massive sulphides. Other rock types may be responsible for these conductive responses and drill testing is required.

PGE and vanadium titanium bearing magnetite have also been identified in the region at Mount Alvey and Trakis respectively. Mount Alvey is located on one of Musgrave's high priority ELAs (156/08). Additional work is warranted in both of these areas.

In AMC's view, EL 3942 is a highly prospective tenement with numerous targets that could be tested in short time frames.

3.7 EL 3954 – Everard Park and EL 3955 – Echo Hill

3.7.1 Description

EL 3954 and EL 3955 cover an area of 714 km² and 1,906 km² respectively and are located approximately 350 km south-west of Alice Springs and south of the Lasseter Highway.

The exploration effort to date on EL 3954 and EL 3955 has been largely completed in tandem.

The proposed exploration is for nickel copper sulphide deposits hosted within Giles Complex, younger dykes and shear hosted copper mineralisation.

The tenements contain a great diversity of lithologies: Giles Complex, Birsgate Complex, Pitjantjatjara Supersuite and Basic Dykes, which post date emplacement of the Giles Complex (possible Gairdner Dyke Swarm equivalent), are all represented.

Mapping of the area is required to further refine the relative proportions and locations of these lithologies. Musgrave geologists have estimated the following percentages of the main geological units:

• Pitjantjatjara Supersuite granites	25%
• Giles Complex mafic dykes	5%
• Giles Complex mafic stocks	3%
• Birsgate felsic lithologies	35%
• Birsgate mafic lithologies	15%
• Birsgate aluminous sediments	2%
• Cambrian / NeoProterozoic Cover	10%
• Gairdner dykes	5%

In the early 1970's, ground reconnaissance, soil sampling, ground magnetics, auger drilling, and trenching was completed over selected areas in the tenements. Soil sampling delineated a linear nickel copper anomaly, which following completion of a ground magnetic survey was inferred to be a magnetite bearing dyke. Auger drilling and trenching was completed followed by completion of three diamond drillholes which confirmed the presence of sub-economic grades of disseminated pyrite-chalcopyrite +/- pyrrhotite / pentlandite at the Tuckerbox Prospect.

In 2001 and 2002, PIRSA completed aeromagnetics and radiometrics over the tenements.

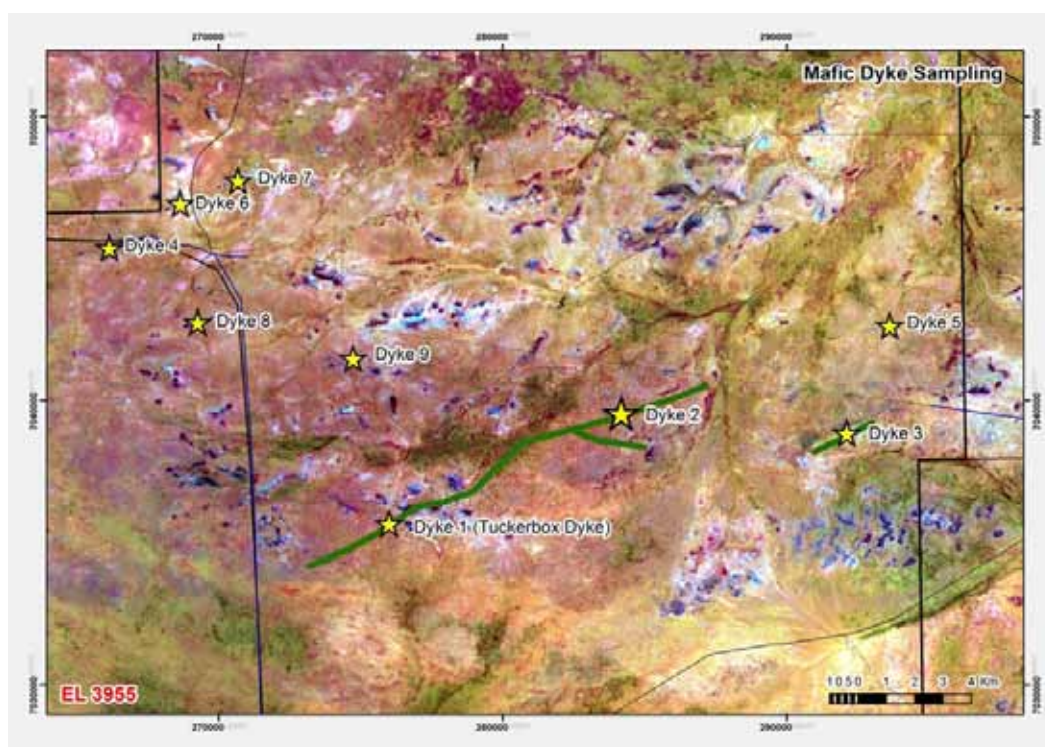
Aboriginal heritage surveys were completed over areas, which were selected based on the presence of mafic dykes inferred from magnetics and satellite imagery.

Gravity surveys were then completed by Independence in 2007 and 2008 and numerous targets were generated.

A solid geological interpretation over the tenements was completed in September 2007 utilizing aeromagnetic data, radiometric data, gravity data, DTM data, satellite imagery and government 1:250,000 geological maps.

In 2008, ASTER satellite imagery was acquired (resolution for visible and near infrared, shortwave infrared and thermal infrared bands of 15 m, 30 m and 90 m respectively). Higher resolution (multi-spectral and panchromatic bands of 10 m and 5 m) satellite imagery was then acquired over EL 3955. The satellite imagery was utilized to help locate dykes of similar orientation to that observed at the Tuckerbox Prospect. Nine dykes were identified in this process (Figure 3-11). Fourteen rock chip samples were taken from the dykes and submitted for assay. The maximum nickel value was 254 ppm (mean 78 ppm), which corresponds to background levels within the Giles Complex.

Figure 3-11 Dykes Located from Satellite Imagery

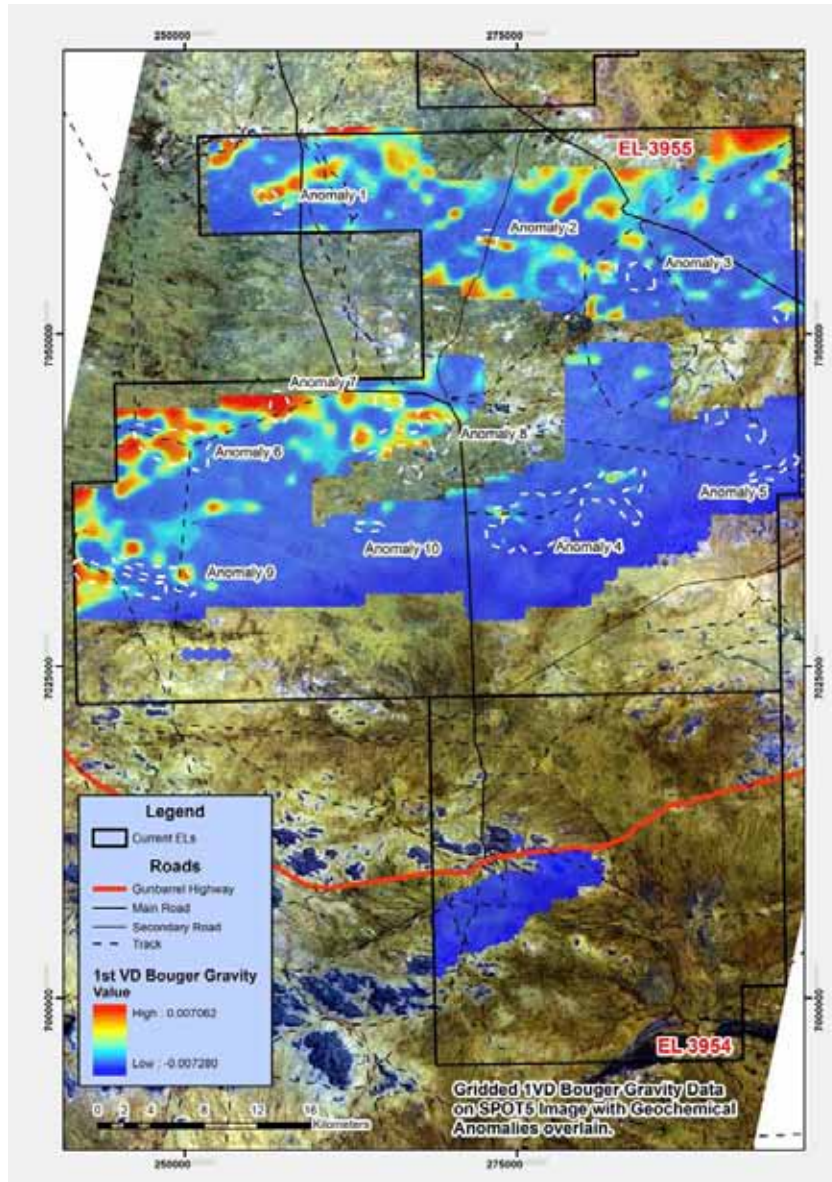


Compiled by Musgrave Minerals, February 2011

Soil sampling was carried out in 2008 and 2009 over gravity targets previously identified using sampling methods described in Section 3.7.1. A total of 10 coincident nickel-copper-PGE anomalies were identified on EL 3955. No anomalies were defined on EL 3954 using this method.

More detailed ground gravity surveys were also completed in 2008 and 2009: initially at 1 km intervals along 1 km lines. This work confirmed that gravity anomalies were often coincident with the geochemical anomalies. Figure 3-12 shows the gravity data on SPOT5 image with geochemical anomalies represented by dashed white lines.

Figure 3-12 Gravity Anomalies Identified in 2008



Compiled by Musgrave Minerals, February 2011

Infill soil sampling then carried out at 500 m intervals over lines spaced 1 km apart (alternating with previous lines). Infill ground gravity surveys were also completed over

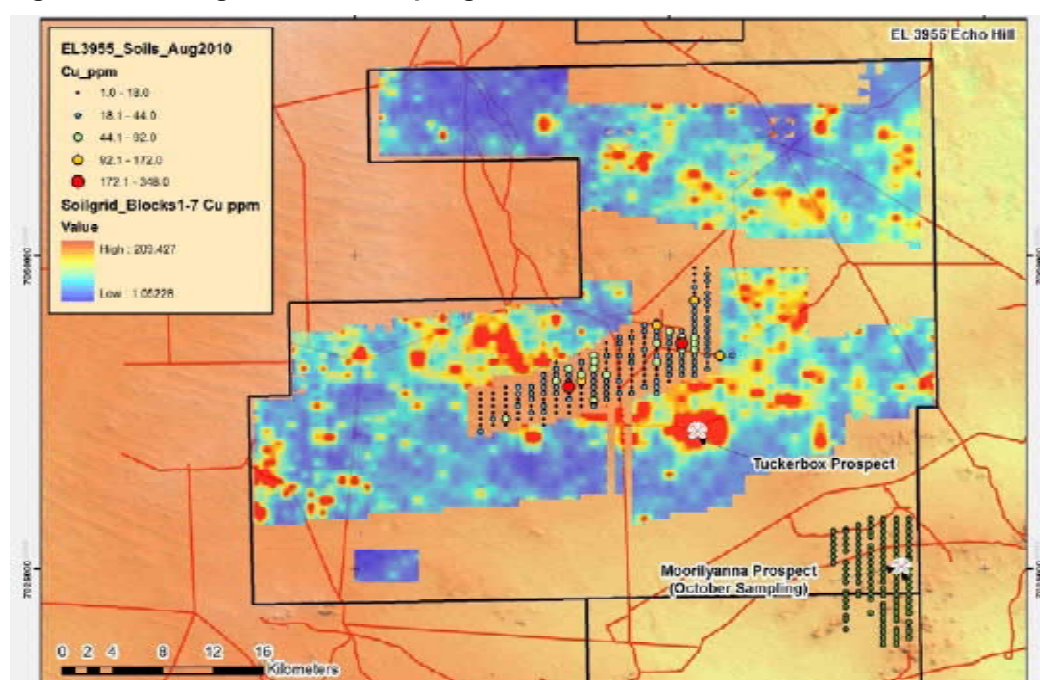
selected coincident soil and gravity anomalies. This work did not materially impact the location and shape of the previously identified anomalies.

Field checking of all coincident soil and gravity anomalies was then completed in 2009. All anomalies were photographed and rock chipped (except Anomaly 7 and portions of Anomaly 8, which were under cover). These results are currently being compiled.

In 2009, 76.3 line kilometres of moving loop ground TEM surveys was completed over Anomalies 3, 4, 6 and 8. Surveys employed 200 m x 200 m loops with stations read at 100 m intervals along 400 m spaced lines. Anomalies 6 and 8 were found to show limited conductivity. Higher conductivity was observed at Anomalies 3 and 4 (which were lower level targets) and interpreted to relate to an increase in the thickness of overburden. Results were therefore considered disappointing.

In 2010, regional soil sampling was completed over an area of EL 3955, which only received heritage clearance in 2009 (Figure 3-13). This area covered ground between Anomaly 4 and Anomaly 8. The work revealed a continuous zone that contains elevated copper relative to the surrounding lithologies, extending from northwest to southeast across the tenement. This area coincides with major regional structures defined from linear magnetic trends.

Figure 3-13 Regional Soil Sampling EL 3955



Compiled by Musgrave Minerals, February 2011

Limited rock chip sampling (35 samples) was completed in August 2010 in selected areas within EL 3955. The majority of samples returned assays consistent with the

expected background values which are less than 280 ppm nickel and less than 320 ppm copper within Giles Complex intrusives and less than 50 ppm nickel and less than 50 ppm copper within non-Giles Complex lithologies. One sample contained elevated chromium (1,246 ppm) and nickel (684 ppm).

In September 2010, very limited rock chip sampling was completed across several regional features with anomalous geochemistry (defined from the regional soil sampling program) and coincident with outcropping / sub-cropping mafic dykes. Results from this sampling were indicative of background basement values. The recommendation from this work was to complete more extensive hand auger sampling over an area directly surrounding the anomalies.

Moorilyanna Prospect

The Moorilyanna Prospect is located in the far south eastern corner of EL 3955.

Copper mineralisation was discovered by a prospector in the 1960's within shears at Moorilyanna. SADME completed follow-up mapping, soil sampling, ground magnetics, and ground Induced Polarization (IP) in the area in the late 1960's. Soils samples were analysed for copper only. The soil sampling revealed regionally anomalous copper confined to a gabbro dyke striking northwest-southeast.

In the early 1970's, limited auger drilling was completed. Results generally ranged from 250 ppm to 650 ppm copper with a maximum of 3,400 ppm (SADME, 1991). No further work was completed until 2010.

Hand auger, sieved soil, and lag samples were also collected at 50 m intervals across the main mafic dyke (Caprica Dyke) to check the historic copper values. All three methods clearly defined the anomalous zones. Two outlying anomalies were also detected (one to the north and one to the south) that required follow-up.

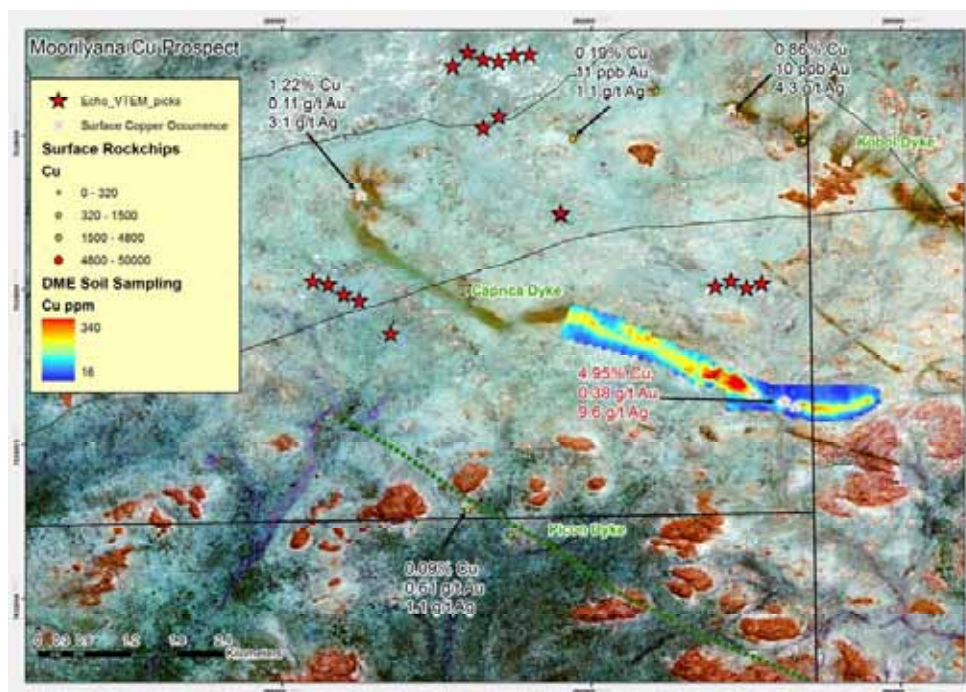
Rock chip sampling and mapping was completed in 2010 across mafic dykes in the Moorilyanna Prospect area. Ninety-three samples were taken in this program which extended from EL 3955 into EL 3954 to the south. Above background concentration of copper was recorded in almost all samples indicating that the gabbro dyke is regionally anomalous in copper (mean of 1,525 ppm and maximum value of 49,544 ppm). Localised anomalous gold and silver was also identified. Four of the samples returned >0.1 g/t gold and nine of the samples returned >1 g/t silver. Mapping data is currently being compiled.

In October 2010, soil lag sampling was also completed across the prospect area to determine if the technique would be effective in areas of extensive subcrop.

Musgrave completed an airborne EM survey and detailed magnetics across the area in late 2010, in addition to several lines of ground EM. The ground EM failed to generate strong responses. The airborne EM data is currently being compiled.

The soil sampling completed by the SADME is shown in Figure 3-14 along with anomalous rock chip and prospective dyke locations.

Figure 3-14 DME Soil Sampling Results and Trial Sampling Line



**From Musgrave Prospectus Geology Report 2010*

3.7.2 AMC Opinion – EL 3954 and EL 3955

EL 3954 and EL 3955 cover a large area and contain a diversity of rock types in a structurally complex setting, often concealed beneath cover. AMC considers that there is potential for the discovery of intrusion hosted nickel-copper and shear hosted copper-gold-silver mineralisation within both tenements.

Very little work has been completed on EL 3954 as a result of the thick aeolian sand that exists over the area. Only a small area has been subject to regional soil sampling and the vast majority of the tenement remains unexplored.

The potential for shear hosted copper-gold and intrusion hosted nickel-copper mineralisation has been demonstrated on EL 3955 at the Moorilyanna and Tuckerbox Prospects respectively, although economic widths and grades have not been identified at either.

The Moorilyanna Prospect represents an advanced exploration target. Elsewhere on EL 3955, there exist many geochemical and geophysical targets that require follow-up.

AMC is of the opinion that significant exploration is warranted on this prospect.

3.8 EL 4047 Bryson Hill

3.8.1 Description

EL 4047 covers an area of 1,534 km² and is located approximately 200 km west-south-west of Uluru.

Mithril completed two heritage surveys that led to the approval of exploration activities to the west of the tenement and in the south eastern corner.

The area is covered by dune and calcrete covered plains largely underlain by Birsgate Complex gneisses. Magnetic data and limited drilling completed by PIRSA suggest that the southern and central area is possibly underlain by Giles Complex intrusive.

Exploration is for nickel-copper sulphide and PGE deposits within the Giles Complex, which are generally more pyroxene rich (and prospective) to the west.

The drilling completed by PIRSA was limited to eight holes (maximum depth of 129 m) to the west of the tenement. No other exploration has been completed over the tenement. A range of basement lithologies were intersected including gneiss, anorthosite and pyroxenite. PIRSA also completed limited soil sampling along the roadside to the west of the tenement, with several samples returning >100 ppm of copper recorded (PIRSA Report Book 2003/20).

There are a considerable number of magnetic features that require follow-up (Figure 3-15). In the south-east corner of the tenement, a negatively polarized magnetic body has been identified that is interpreted to be an extension of the Mount Marcus mineralised intrusion, which was drilled by Pepinnini in 2008 on their EL that lies south of EL 4047 (Pepinnini Minerals Limited 2008 Annual Report) and found to locally contain disseminated chalcopyrite (copper sulphide) and pentlandite (nickel sulphide). While these minerals were present in sub-economic concentrations, potential for higher concentrations exists if a feeder zone could be located.

ELA 54/97, ELA 364/97 and ELA 380/97 are located near the Western Australian border and surround the Mount Marcus Prospect. Magnetic features suggest the presence of significant Giles Complex intrusives in the area.

ELA 154/08 and ELA 156/08 both lie within the EL 3942, which is considered the most prospective of Musgrave's ELs. ELA 156/08 hosts the Mount Alvey platinum-palladium deposit, while ELA 154/08 contains a series of Giles Complex intrusives that link major layered intrusive complexes.

ELA 341/96, ELA 342/96 and ELA 41/97 are situated in close proximity to APY infrastructure including the towns of Fregon and Ernabella. A power generation plant is situated between the two towns as well as the administrative centre of the APY lands – Umuwa. The ELAs lie within what is regarded as a key structural corridor, with five lineaments converging in the area. Significant outcrop of Giles Complex is known to exist on ELA 341/96 and ELA 342/96. Minor copper mineralisation has been reported on ELA 342/96 (Frazers Prospect). ELA 41/97 contains widespread shallow cover; however three major regional structures associated with the mineralisation at Moorilyana are all present on the tenement. All tenements have seen very little exploration.

3.9.1.1 AMC Opinion – High Priority ELAs

AMC considers that presence of prospective host rocks and limited historical work that has been completed renders these ELAs prospective and of a high priority for exploration by Musgrave.

3.9.2 Other ELAs

Musgrave also holds 28 other ELAs covering 33,815 km². The majority of these tenements are in areas that have seen very little or no exploration. Shallow to moderate cover is observed in most areas. Musgrave has completed a high level review of geology of these tenements (Musgrave Information Memorandum, 2010).

3.9.2.1 AMC Opinion – Other ELAs

AMC has reviewed the high level work completed by Musgrave and believes there is exploration potential within these tenements given the geological setting and lack of historical work.

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5 QUALIFICATIONS

AMC is a firm of mineral industry consultants whose activities include the preparation of due diligence reports and reviews on mining and exploration projects for equity and debt funding and for public reports.

The contributors to this report were:

- Mr Aaron S Meakin, BSc (Hons) MAppFin MAusIMM FFSI, AMC Principal Geologist with 18 years experience in mining and exploration geology, who prepared the report.
- Mr Peter T Stoker, BSc, Dip Ed FAusIMM (CP), AMC Principal Geologist, with over 40 years experience in audit and due diligence studies of Mineral Resources and Ore Reserves.
- Mr Mike Thomas, Higher National Diploma of Mining Engineering – Glamorgan Polytechnic, UK, MAusIMM, AMC Director and Principal Mining Consultant, with broad experience in the mining industry including managing operating mines, both in Australia and overseas, leading feasibility studies and carrying out technical reviews, audits and valuations.

AMC has not undertaken previous work for Musgrave.

Neither AMC nor the contributors to this report have any interests in any of the companies participating in the formation of Musgrave. AMC has no pecuniary interest, association or employment relationship with Musgrave.

AMC is being paid a fee according to its normal per diem rates and out of pocket expenses incurred in the preparation of this report. Its fee is not contingent on the outcome of any transaction that may be considered and for which this report may be relevant.

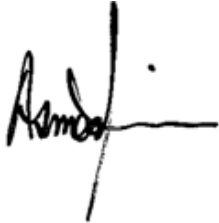
Consent

AMC consents to the inclusion of this report in a Prospectus dated on or about 28th February 2011 offering for subscription 60 million ordinary shares at an offer price of \$0.25 each to raise \$15 million with a minimum subscription of \$10 million and the right to accept oversubscriptions of up to \$5 million. Neither AMC's Report, nor any part of it, may be used for any other purpose without AMC's prior written consent.

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Aaron Meakin
Principal Geologist



Peter Stoker
Principal Geologist

APPENDIX A

GLOSSARY

AMC 811001: February 2011 Rev. 1

Adelaidean	A geological era lasting from 850 to 570 million years ago.
Aeolian	Sediments made up of windblown sand or dust.
Aeromagnetic	Refers to measurement of magnetic qualities of rocks using an aircraft-mounted instrument.
Airborne Electromagnetics	A geophysical survey method in which an aircraft, using an induced electric current, measures variations in the local electromagnetic field of the earth below.
Allanite	Allanite is a sorosilicate group of minerals within the broader epidote group that contain a significant amount of rare earth elements.
AMC	AMC Consultants Pty Ltd
Anomaly	Zone or point in the soil or underlying rock determined by exploration methods to be different from its general surroundings.
Anorthosite	An intrusive igneous rock characterized by a predominance of plagioclase feldspar (90–100%) and a minimal mafic component (0–10%). Pyroxene, ilmenite, magnetite, and olivine are the mafic minerals most commonly present.
APY Land	Anangu Pitjantjatjara Yankunytjatjara Aboriginal local government area
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Auger Sampling	Soils sampling method which uses a hand tool with a corkscrew-shaped bit for boring holes in the soil profile and extracting soil samples at progressive depths down the profile.
Basement	Generally refers to the older cratonic rocks below sedimentary basins or soil.
Breccia	A rock composed of angular fragments of rock embedded in a matrix.
Calc-silicate	A rock or mineral that is predominantly composed of calcium, silicon, and oxygen.
Cambrian	The earliest period of the Palaeozoic era, from 570 to 500 million years ago.
Carbonaceous	Term given to a rock containing carbon.
Carbonatite	Intrusive or extrusive igneous rocks defined by mineralogical composition consisting of greater than 50 percent carbonate minerals.
Cerium	Cerium is a chemical element with the symbol Ce and atomic number 58. It is a soft, silvery, ductile metal which easily oxidizes in air. Cerium is the most abundant of the rare earth elements.
Chalcopyrite	A yellow copper bearing mineral (CuFeS_2) made up of copper and iron sulphide.
Charnockite	Any orthopyroxene bearing granite.
Chert	A cryptocrystalline siliceous rock usually of sedimentary origin.

Chromite	An oxide mineral belonging to the spinel group. Iron Chromium Oxide (FeCr ₂ O ₄).
Clast	A fragment of rock that was broken from a larger rock or rock unit.
Colluvium	Loose bodies of sediment that have been deposited or built up at the bottom of a low-grade slope or against a barrier on that slope, transported by gravity.
Core	Cylinder of rock recovered from diamond drilling.
Costeaning	Exploration technique involving digging of trenches to expose rock.
Cover	Younger sediments that lie above older rocks.
Diamond Drilling	Method of obtaining a cylindrical core of rock by drilling with a diamond impregnated bit.
Dip	The angle at which layered rocks, foliation, a fault, or other planar structures, are inclined from the horizontal.
Dolerite	A medium grained basic igneous rock.
Dyke	A discordant tabular body of igneous rock that was injected into a fissure when molten.
EL	South Australian Exploration Licence - Granted
ELA	South Australian Exploration Licence - Application
Electromagnetic	Magnetism produced by an electric current.
Epidote	Any of a class of mixed calcium iron aluminium sorosilicates found in metamorphic rocks.
Fault	A fracture in rocks along which rocks on one side have been moved relative to the rocks on the other.
Feldspar	A group of hard crystalline minerals that consist of aluminium silicates of potassium or sodium or calcium or barium.
Felsic	Siliceous, feldspar-rich rocks (usually light coloured).
Gabbro	A coarse-grained igneous rock, low in silica and high in magnesium and calcium.
Geochemical	Prospecting techniques which measure the content of certain metals in soils and rocks in order to define anomalies for further testing.
Geophysical	Prospecting techniques which measure the physical properties (magnetism, conductivity, density etc) of rocks in order to define anomalies for further testing.
Geotechnical	Referring to the physical behaviour of rock under stress.
Gneiss	Banded rocks formed during high-grade metamorphism.
Goethite	A hydrated iron oxide mineral – (FeO(OH)).
Granite	A coarse grained igneous rock consisting largely of quartz and feldspar.

Ground Electromagnetics	A ground based geophysical survey method in which an induced electric current, measures variations in the local electromagnetic field of the earth below. Often carried out after a preliminary airborne electromagnetic survey to better understand any conductive bodies that have been identified.
Haematite (Hematite)	An iron oxide mineral – Fe_2O_3 .
Hydrothermal	A process related to the introduction of heated or superheated waters associated with igneous activity.
Ilmenite	Ti-Fe oxide, TiFeO_3 .
Induced Polarisation (IP)	Method of ground geophysical surveying which employs the passing of an electrical current into the ground and the voltage decay is measured.
Intrusion	A body of igneous rock that invades older rocks.
Lanthanum	A metallic chemical element (symbol La) with an atomic number of 57. A white soft metallic element that tarnishes readily; occurs in rare earth minerals and is usually classified as a rare earth.
Lanthanides	Rare earth elements (REEs) – the group of fifteen elements with atomic numbers 57 through 71.
Laterite, Lateritised	A near surface concretionary deposit or crust formed by leaching of silica and aluminium and enrichment in iron.
Mafic	A silicate mineral or rock that is rich in magnesium and iron.
Magma	Molten rock in the earth's crust.
Magmatic	Of, related to, or produced by magma or magmatism.
Magnetite	An iron oxide mineral – Fe_3O_4 .
Mesoproterozoic	A geological era lasting from 1600 to 1000 million years ago.
Massif	A section of a planet's crust that is demarcated by faults or flexures. In the movement of the crust, a massif tends to retain its internal structure while being displaced as a whole.
Metamorphism, Metamorphic	Term applied to pre-existing sedimentary and igneous rocks which have been altered in composition, texture or internal structure by processes involving pressure, heat and/or the introduction of new chemical substances.
Metasedimentary	General term used to describe sedimentary rocks which have been metamorphosed.
Moving Loop Electromagnetics	A ground based electromagnetic method whereby electric current loops are progressively moved across the ground in a particular configuration designed by a geophysicist.
Musgrave Province	Large geological province that extends across the borders of northwest South Australia, Western Australia and the Northern Territory. Hosts mineralisation with economic potential within the Birsgate Complex and the Giles Complex.
Mylonite	A laminated milled rock formed by movement on fault surfaces.

Orogeny	The process by which mountain ranges are formed. The process of rock thrusting, folding and faulting in association with deeper plastic deformation, metamorphism and plutonism.
Outcrop	The part of a rock formation that appears above the surface of the surrounding land.
Oxide Mineralisation	Derived from alteration of primary sulphide minerals by oxidation in the weathered zone.
Palaeochannel	Sediments or semi-consolidated sedimentary rocks deposited in an ancient currently inactive river.
Palaeozoic	An era of geological time between 544 and 248 million years ago.
Palladium	A chemical element with the chemical symbol Pd and an atomic number of 46. Palladium is a rare and lustrous silvery-white metal silver-white metallic element of the platinum group that resembles platinum.
Pegmatite	A coarsely crystalline igneous or plutonic rock composed primarily of feldspar and quartz, normally with muscovite and/or biotite.
Pentlandite	An iron-nickel sulphide, (Fe,Ni) ₉ S ₈ .
PGE	Platinum Group Elements – includes platinum (Pt), palladium (Pd) and rhodium (Rh)
PIRSA	Department of Primary Industries and Resources of South Australia
Platinoids	The platinum group metals - any of the metals, such as palladium or iridium, with which platinum is commonly associated.
Platinum	Platinum is a chemical element with the chemical symbol Pt and an atomic number of 78. A heavy precious metallic element; grey-white and resistant to corroding; occurs in some nickel and copper ores and is also found native in some deposits.
PPM	Parts per Million
Pyroxene	A common mineral in igneous rocks, containing calcium, magnesium, iron, silicon, and oxygen.
Proterozoic	A geological era from 2,400 million years to 570 million years. Now subdivided into Palaeo-, Meso- and Neo-.
Pseudotachylite	A dark, glassy rock generated by frictional heat within faults.
Pyrite	An iron sulphide with the formula FeS ₂ .
Quartz	Mineral species composed of crystalline silica (SiO ₂).
Rare Earth Elements (REEs)	A collection of seventeen chemical elements in the periodic table, namely scandium, yttrium, and the fifteen lanthanides.
Regolith	The altered, unconsolidated or re-cemented cover that overlies coherent bed rock.
Reverse Circulation (RC) Drilling	Variant of percussion drilling in which cuttings are raised to surface by a stream of compressed air inside a metal tube.

Rock Chip Sampling	Refers to collecting a representative sample comprising numerous small chips of rock.
Rotary Air-Blast (RAB) Drilling	A drill which uses a pneumatic reciprocating piston-driven 'hammer' to energetically drive a heavy drill bit into the rock. The cuttings are blown up the outside of the rods and collected at surface. Air or a combination of air and foam lift the cuttings.
SADME	South Australia Department of Mine and Energy.
Satellite Imagery	Photographs of Earth or other planets made by means of artificial satellites.
Shearing	Deformation by lateral movement along parallel planes.
Shear Zone	A linear / tabular zone of fracturing and tearing of the rocks.
Sill	An intrusion which is parallel to (conformable with) the stratigraphy of the enclosing rocks.
Soil Anomaly	A zone or point determined by geochemical sampling and assaying of the soil to be different from the general surrounds.
Stratiform	Refers to the occurrence as bed or beds.
Stratigraphy	Refers to the classification of a series of layered rock or strata.
Stream-sediment survey	Systematic sampling of sediments within drainage channels.
Strike	The direction of bearing of a bed or layer of rock in the horizontal plane.
Structural	In this report refers to processes of fracturing and folding of rocks.
Subcrop	That part of a geologic formation that is buried under shallow cover.
TEM	Transient electromagnetics. A variation of the electromagnetic method in which electric and magnetic fields are induced by transient pulses of electric current in coils or antennas instead of by continuous (sinusoidal) current.
TEMPEST	TEMPEST is an airborne electromagnetic system owned and operated by Fugro Airborne Surveys Pty Ltd. The TEMPEST system was developed to combine the capabilities of a high frequency near surface electromagnetic system with those of a low frequency sine wave time domain system.
Titaniferous	Containing or yielding titanium.
Titanium	A chemical element with the symbol Ti and atomic number 22. It has a low density and is a strong, lustrous, corrosion-resistant transition metal with a silver colour.
Thrust	A type of fault in which rocks of lower stratigraphic position are pushed up and over higher strata.
Ultrabasic or Ultramafic	Used to describe igneous rocks of very low silica content (usually < 45% SiO ₂) consisting essentially of iron and magnesium silicates to the virtual exclusion of quartz and feldspar.
Vacuum Sampling	A soil sampling method whereby soils is collected by vacuum.
Vanadium	A chemical element with the symbol V and atomic number 23. It is a soft, silvery gray, ductile transition metal.

VALMIN Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, the VALMIN Code 2005 Edition, Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.
VTEM	Versatile Time-Domain ElectroMagnetic system owned and operated by Geotech Airborne Pty Ltd. A time domain airborne electromagnetic system designed to have very low-noise characteristics. The system is characterised by deep penetration, high spatial resolution, good resistivity discrimination and the ability to detect weak anomalies.

7. Investigating Accountants' Report



The Board of Directors
Musgrave Minerals Ltd
60 King William Road
GOODWOOD SA 5034

21 February 2011

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Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT ON REVIEWED HISTORICAL FINANCIAL INFORMATION

Introduction

Grant Thornton Audit Pty Ltd ("Grant Thornton") has been engaged by the directors of Musgrave Minerals Limited ("Musgrave Minerals" or "the Company") to prepare an Investigating Accountant's Report on Historical Financial Information for inclusion in a Prospectus. The Prospectus will be dated on or about 28 February 2011 and relates to the offer of 60 million ordinary shares at an offer price of \$0.25 each to raise \$15 million with a minimum subscription of \$10 million and the right to accept other subscriptions up to \$5 million ("the Offer").

All amounts are payable in full on application.

Expressions referred to in the Prospectus have the same meaning in this report.

Background

The Company was incorporated in Victoria on 26 May 2010 as an unlisted Australian public company limited by shares. The Company was formed through an agreement between Mithril Resources Ltd, Independence Group N.L. and Goldsearch Ltd to accelerate exploration in the Musgrave region of South Australia. Since its incorporation the Company has raised seed capital from its corner-stone investors and commenced an exploration programme.

Financial information

Grant Thornton has been requested to prepare a report covering the historical financial information and pro forma historical financial information (together referred to as "the historical financial information") as described below and disclosed in the Financial Information Section of this Prospectus.

The historical financial information has been extracted from the:

- a. Audited financial report of the Company for the period ended 30 June 2010 on which Grant Thornton issued an unqualified audit report with an emphasis of matter regarding material uncertainty of continuation as a going concern.
- b. Reviewed financial reports of the Company for the period ended 31 December 2010 on which Grant Thornton issued an unqualified review report.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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Historical Financial Information

The historical financial information of the Company comprises the statement of comprehensive income and statement of changes in equity for the half year ended 31 December 2010, the statement of financial position as at 30 June 2010 and 31 December 2010 with the associated notes.

The Directors of the Company are responsible for the preparation and presentation of the historical financial information. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the historical financial information. The historical financial information has been prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS").

The historical financial information in this Prospectus is presented in an abbreviated form in so far as it does not include all the disclosures required under AIFRS applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

Pro forma Historical Financial Information

The pro forma historical financial information of the Company comprises the Statement of Changes in Equity for the half year ended 31 December 2010 and the pro forma Statement of Financial Position as at 31 December 2010 which assumes the pro forma transactions as set out in Note 2 of the Financial Information Section had occurred as at 31 December 2010.

The Directors of the Company are responsible for the preparation and presentation of the pro forma historical financial information.

The pro forma historical financial information as at 31 December 2010 has been prepared in accordance with AIFRS, but is presented in an abbreviated form insofar as it does not include all the disclosures required by AIFRS applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

Scope

The directors of the Company have requested Grant Thornton prepare a report covering the following information:

- a. The historical performance of the Company for the half year ended 31 December 2010;
- b. The historical statement of financial position as at 31 December 2010 and the pro forma statement of financial position as at 31 December 2010, which assumes completion of the contemplated transactions disclosed in Note 2 of the Financial Information Section; and
- c. The historical statement of changes in equity for the half year ended 31 December 2010 and the pro forma statement of changes in equity which assumes completion of the contemplated transactions as noted above.

We have reviewed the pro forma historical financial information in order to report whether anything has come to our attention, which causes us to believe that the pro forma historical financial information of the Company does not present fairly the pro forma historical statement of financial position of the Company as at 31 December 2010 on the basis of the pro forma transactions and adjustments described in the Financial Information Section of this Prospectus, and in accordance with the recognition and measurement principles prescribed in AIFRS and other mandatory professional reporting requirements in Australia and the accounting policies adopted by the Company.

We have conducted our review of the financial information including the pro forma adjustments in accordance with Standard on Review Engagements ASRE 2405 "Review of Historical Information Other than a Financial Report". We have made such enquiries

and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- Analytical procedures on the historical financial information for the relevant historical period;
- A review of work papers, accounting records and other documents;
- A review of the basis of preparation and adjustments used to compile the historical financial information;
- A review of the adjustments made to the pro forma statement of financial position and pro forma statement of changes in equity of the Company as at 31 December 2010;
- A Comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia and the accounting policies adopted by the Company; and
- Enquiry of Directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review Statement of Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention, which causes us to believe that the pro forma historical financial information of the Company, does not present fairly the pro forma statement of financial position of the Company as at 31 December 2010 on the basis of the pro forma transactions and/or adjustments described in Note 2 in the Financial Information Section, and in accordance with the recognition and measurement principles prescribed in AIFRS and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company.

Subsequent Events

Since the 31 December 2010 and to the date of this report the Company has incurred costs associated with the production of this prospectus and managing of the Company's assets.

Apart from the matters dealt with in this report and having regard to the scope of our review, to the best of our knowledge and belief, no additional material transactions or events outside the ordinary business of the Company have come to our attention that require comment on or adjustment to the information referred to in our report or that would cause such information to be misleading or deceptive.

Responsibility

Grant Thornton has consented to the inclusion of this Independent Accountant's Report in the Prospectus in the form and context in which it is included, but has not authorised the issue of the Prospectus. Accordingly, Grant Thornton makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, this Prospectus.



Grant Thornton

Independence

Grant Thornton does not have any interest in the outcome of the Offer other than in connection with the preparation of this report, participation in limited due diligence procedures and acting as statutory auditor for the Company for which normal professional fees will be received.

Yours faithfully

GRANT THORNTON AUDIT PTY LTD

Chartered Accountants

J L Humphrey

Director – Audit & Assurance

8. Financial Information

MUSGRAVE MINERALS LTD
ACN 143 890 671

REVIEWED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Reviewed Half Year ended 31 December 2010
	\$
Revenue	
Interest income	8,825
Total Revenue	8,825
Expenses	
Employment benefits expense	(14,390)
Depreciation expense	(1,098)
Other expenses	(65,029)
Profit/(Loss) from ordinary activities before income tax expense	(71,692)
Income tax expense	–
Profit/(Loss) from ordinary activities after income tax expense	(71,692)
Other comprehensive income	–
Total comprehensive income	(71,692)

“The above statement of comprehensive income should be read in conjunction with the accompanying notes.”



REVIEWED STATEMENT OF FINANCIAL POSITION AND REVIEWED PRO FORMA
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	Audited 30 June 2010 \$	Reviewed 31 December 2010 \$	Un-audited Pro Forma Minimum 31 December 2010 \$	Un-audited Pro Forma Full 31 December 2010	Un-audited Pro Forma Maximum Over 31 December 2010 \$
CURRENT ASSETS						
Cash & cash equivalents	3	200,000	730,879	9,980,879	14,680,879	19,480,879
Trade & other receivables	4	4,347	53,610	53,610	53,610	53,610
Other assets	5	–	14,457	14,457	14,457	14,457
TOTAL CURRENT ASSETS		204,347	798,946	10,048,946	14,748,946	19,548,946
NON CURRENT ASSETS						
Plant and equipment	6	4,544	8,759	8,759	8,759	8,759
Exploration expenditure	7	32,023	678,321	8,166,321	8,166,321	8,166,321
TOTAL NON CURRENT ASSETS		36,567	687,080	8,175,080	8,175,080	8,175,080
TOTAL ASSETS		240,914	1,486,026	18,224,026	22,924,026	27,724,026
CURRENT LIABILITIES						
Trade & other payables	8	49,961	58,020	58,020	58,020	58,020
Short term provisions		–	8,509	8,509	8,509	8,509
TOTAL CURRENT LIABILITIES		49,961	66,529	66,529	66,529	66,529
NON CURRENT LIABILITIES						
Long term provisions		–	236	236	236	236
TOTAL NON CURRENT LIABILITIES		–	236	236	236	236
TOTAL LIABILITIES		49,961	66,765	66,765	66,765	66,765
NET ASSETS		190,953	1,419,261	18,157,261	22,857,261	27,657,261
SHAREHOLDERS EQUITY						
Issued capital	9	197,699	1,497,699	17,038,118	21,826,311	26,685,541
Reserves	10	–	–	2,809,000	2,809,000	2,809,000
Retained earnings		(6,746)	(78,438)	(1,689,857)	(1,778,050)	(1,837,280)
TOTAL SHAREHOLDERS EQUITY		190,953	1,419,261	18,157,261	22,857,261	27,657,261

"The above statement of financial position and pro forma statement of financial positions should be read in conjunction with the accompanying notes."

REVIEWED STATEMENT OF CHANGES IN EQUITY AND PRO FORMA STATEMENT OF
CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Ordinary Shares	Share Option Reserve	Retained Earnings
Balance at 30 June 2010 (Audited)	197,699	–	(6,746)
Loss for the half year ended 31 December 2010	–	–	(71,692)
Shares issued during the period	1,300,000	–	–
Balance at 31 December 2010 (Reviewed)	1,497,699	–	(78,438)
Pro forma transactions			
Issue of 24,000,000 Shares and 7,750,000 Options as consideration paid for certain mining tenements and mining information pursuant to the Tenement Sale Agreements outlined in note 2	6,000,000	1,488,000	–
Issue of 40,000,000 Shares pursuant to this Prospectus (Minimum Subscription)	10,000,000	–	–
Expenses of the offer	(656,544)	–	(93,456)
Deferred tax assets associated with the Expenses of the offer written off	196,963	–	(196,963)
Issue of unlisted options to the incoming Managing Director and other Directors of the Company	–	1,321,000	(1,321,000)
Pro forma transactions at 31 December 2010 – Minimum Subscription	17,038,118	2,809,000	(1,689,857)
Issue of an additional 20,000,000 Shares pursuant to this Prospectus (Full subscription)	5,000,000	–	–
Additional expenses of the offer	(302,582)	–	2,582
Deferred tax assets associated with the expenses of the offer written off	90,775	–	(90,775)
Pro forma transactions at 31 December 2010 – Full Subscription	21,826,311	2,809,000	(1,778,050)
Issue of an additional 20,000,000 Shares pursuant to this Prospectus (Maximum Over subscription)	5,000,000	–	–
Additional expenses of the offer	(201,100)	–	1,100
Deferred tax assets associated with the expenses of the offer written off	60,330	–	(60,330)
Pro forma transactions at 31 December 2010 – Maximum Over Subscription	26,685,541	2,809,000	(1,837,280)

The above statement of changes in equity and pro forma statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Note 1 - Statement of Significant Accounting Policies

The financial information has been prepared in accordance with the measurement but not all of the disclosure requirements of Australian Accounting Standards and Urgent Issues Group Consensus Views. In the view of the Directors of Musgrave Minerals Ltd ("Musgrave Minerals" or "the Company"), the omitted disclosures would provide no further relevant information to potential investors.

(a) Basis of Preparation

The company has prepared financial statements in accordance with the Australian Equivalents to International Financial Reporting Standards (IFRS).

Reporting Basis and Conventions

The historical financial information has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area of interest are written off in full against profit in the year in which the decision to abandon the area of interest is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extend of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months, less any bank overdrafts.

(e) Revenue

Revenue is recognised to the extent that is probable that the economic benefits will flow to the entity and that the reliably measured.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(f) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(g) Equity-settled compensation

The cost of equity-settled transactions is measured by the fair value at the date at which the equity instruments are granted. The fair value is determined using the Black-Scholes pricing model. The cost is recognised as an expense in the statement of comprehensive income with a corresponding increase in the share option reserve or issued capital when the options or shares are issued.

Where the grant date and the vesting date are different, the total expenditure will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management's assumptions about probabilities of payments and compliance with and attainment of the terms and conditions.

(h) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and from within the Company.

Exploration and Evaluation Expenditure

The Company's policy for exploration and evaluation is discussed in Note 1(c). The application of this policy requires management to make certain assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploration, then the relevant capitalised amount will be written off through the statement of comprehensive income.

Note 2 – Basis of Preparation of the Pro Forma Historical Financial Information

The pro forma historical financial information has been prepared from the reviewed statement of financial position and statement of changes in equity as at and for the half year ended 31 December 2010 respectively, adjusted for the following transactions as if they had taken place on 31 December 2010:

2.1 Subsequent events

- Following a General Meeting of shareholders on 17 February 2011 the issue of 2,250,000 unlisted Directors Options to the existing Directors and Company Secretary of the Company. The options have an exercise price of \$0.36, are exercisable within 5 years of issue and have a fair value of \$418,500.
- Following a General Meeting of shareholders on 17 February 2011 the issue of the following options to the incoming Managing Director of the Company:
 - 2,500,000 unlisted Incoming Managing Director Options. The options have an exercise price of \$0.36, are exercisable within 5 years of issue and have a fair value of \$465,000; and
 - 2,500,000 unlisted Incoming Managing Director Options. The options have an exercise price of \$0.50, are exercisable within 5 years of issue and have a fair value of \$437,500.

2.2 Assuming Minimum Subscription

- Pursuant to a Tenement Sale Agreement dated 20 October 2010 the Company will issue as consideration 5,000,000 Shares to Mithril Resources Ltd or its nominee with a fair value of \$1,250,000 and 2,500,000 Tenement Vendor Options with a fair value of \$480,000 for the acquisition of the Musgrave SA Project. Each Option has an exercise price of \$0.25 and is exercisable within 5 years from the date of grant. The acquisition is subject to a number conditions precedent as outlined in Section 10.2 of this Prospectus.
- Pursuant to a Tenement Sale Agreement dated 20 October 2010 the Company will issue as consideration:
 - 3,825,000 Shares to Independence Group NL or its nominee with a fair value of \$956,250 and 1,912,500 Tenement Vendor Options with a fair value of \$367,200. Each Option has an exercise price of \$0.25 and is exercisable within 5 years from the date of grant; and
 - 3,675,000 Shares to Goldsearch Ltd or its nominee with a fair value of \$918,750 and 1,837,500 Tenement Vendor Options with a fair value of \$352,800. Each Option has an exercise price of \$0.25 and is exercisable within 5 years from the date of grant;

for the acquisition of the Musgrave IGO/Goldsearch Project. The acquisition is subject to a number conditions precedent as outlined in Section 10.6 of this Prospectus.

- Pursuant to a Tenement Sale Agreement dated 25 October 2010 the Company will issue as consideration 3,000,000 Shares to Integra Mining Limited or its nominee with a fair value of \$750,000 and 1,500,000 Tenement Vendor Options with a fair value of \$288,000 for the acquisition of the Musgrave Integra Project. Each Option has an exercise price of \$0.25 and is exercisable within 5 years from the date of grant. The acquisition is subject to a number conditions precedent as outlined in Section 10.3 of this Prospectus.

2.2 Assuming Minimum Subscription (cont)

- Pursuant to a Tenement Sale Agreement dated 20 August 2010 the Company will issue as consideration 6,000,000 Shares to Barrick (PD) Australia Limited or its nominee with a fair value of \$1,500,000 for the acquisition of the Musgrave Barrick Project. The acquisition is subject to a number conditions precedent as outlined in Section 10.5 of this Prospectus.
- Pursuant to a Tenement Sale Agreement dated 9 November 2010 the Company will issue as consideration 2,500,000 Shares to Kelaray Pty Limited or its nominee with a fair value of \$625,000 for the acquisition of the Musgrave Argonaut Project. The acquisition is subject to a number conditions precedent as outlined in Section 10.4 of this Prospectus.
- The issue of 40,000,000 Shares (Minimum Subscription) at an issue price of \$0.25 per Share to raise \$10,000,000;
- Expenses associated with the Offer (including advisory, legal, accounting, listing and administrative fees as well as printing, travel and other expenses) which are estimated to be \$750,000 of which \$656,544 has been directly off set against share capital (\$459,581 net of tax) and \$93,456 has been recognised through the statement of comprehensive income.

2.3 Assuming Full Subscription

- The issue of a further 20,000,000 Shares (Full Subscription) at an issue price of \$0.25 per share to raise an additional \$5,000,000; and
- Additional expenses associated with the Offer (including advisory, legal, accounting, listing and administrative fees as well as printing, travel and other expenses) which are estimated to be \$300,000 of which \$211,808 net of tax has been directly offset against share capital and \$2,582 recognised through the statement of comprehensive income.

2.4 Assuming Full with Maximum Over Subscriptions

- The issue of a further 20,000,000 Shares (Full Subscription with Maximum Over Subscriptions) at an issue price of \$0.25 per share to raise an additional \$5,000,000; and
- Additional expenses associated with the Offer (including advisory, legal, accounting, listing and administrative fees as well as printing, travel and other expenses) which are estimated to be \$200,000 of which \$140,770 net of tax has been directly offset against share capital and \$1,100 recognised through the statement of comprehensive income.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Audited 31 December 2010 \$	Reviewed 31 December 2010 \$	Un-audited Pro Forma Minimum 31 December 2010 \$	Un-audited Pro Forma Full 31 December 2010	Un-audited Pro Forma Maximum Over 31 December 2010 \$
Note 3 – Cash & cash equivalents					
Cash & cash equivalents	200,000	730,879	9,980,879	14,680,879	19,480,879
Note 4 – Trade & other receivables					
Amounts due from related party					
– Mithril Resources Ltd	–	865	865	865	865
GST receivable	4,347	52,745	52,745	52,745	52,745
	4,347	53,610	53,610	53,610	53,610
Note 5 – Other assets					
Prepaid expenses	–	14,457	14,457	14,457	14,457
Note 6 – Plant and equipment					
Plant and equipment – cost	4,612	9,857	9,857	9,857	9,857
Less: Accumulated depreciation	(68)	(1,098)	(1,098)	(1,098)	(1,098)
	4,544	8,759	8,759	8,759	8,759
Note 7 – Exploration expenditure					
Capitalised exploration expenditure	32,023	678,321	8,166,321	8,166,321	8,166,321
Note 8 – Trade & other payables					
Trade creditors	2,157	21,100	21,100	21,100	21,100
Amounts due to a related party					
– Mithril Resources Ltd	47,804	36,920	36,920	36,920	36,920
	49,961	58,020	58,020	58,020	58,020

The above statement of financial position and pro forma statement of financial positions should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Note 9 – Issued capital

	Number of shares issued	\$
Paid up capital		
Balance at 30 June 2010 – Audited	4,000,000	197,699
Shares issued during the period	13,000,000	1,300,000
At 31 December 2010 – Reviewed	17,000,000	1,497,699
Shares issued as consideration for the acquisition of the Musgrave SA Project	5,000,000	1,250,000
Shares issued as consideration for the acquisition of the Musgrave IGO Project	7,500,000	1,875,000
Shares issued as consideration for the acquisition of the Musgrave Integra Project	3,000,000	750,000
Shares issued as consideration for the acquisition of the Musgrave Barrick Project	6,000,000	1,500,000
Shares issued as consideration for the acquisition of the Musgrave Argonaut Project	2,500,000	625,000
Shares issued pursuant to this Prospectus – Minimum Subscription	40,000,000	10,000,000
Less capital raising costs (net of tax effect)	–	(459,581)
At Minimum Subscription	81,000,000	17,038,118
Additional shares issued pursuant to this Prospectus – Full Subscription	20,000,000	5,000,000
Less additional capital raising costs (net of tax effect)	–	(211,807)
At Full Subscription	101,000,000	21,826,311
Additional shares issued pursuant to this Prospectus – Full with Maximum Over Subscriptions	20,000,000	5,000,000
Less additional capital raising costs (net of tax effect)	–	(140,770)
At Full with Maximum Over Subscriptions	121,000,000	26,685,541

The above statement of changes in equity and pro forma statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Note 10 – Share based remuneration

Subsequent to 31 December 2010 the Company has, or will, enter the following share based payment transactions.

- (a) At the General Meeting of shareholders on 17 February 2011 it was resolved to issue the following options to the Directors and Company Secretary:

	Number of Options
Graham Ascough	750,000
John Percival	500,000
Kelly Ross	500,000
Donald Stephens	500,000
Total Director Options	2,250,000

The above options are unlisted, have an exercise price of \$0.36 and are exercisable at any time within 5 years from the date of issue. The options have a total fair value of \$418,500.

- (b) At the General Meeting of shareholders held on 17 February 2011 it was resolved to issue the following options to the Company's incoming Managing Director pursuant to his employment agreement:

- 2,500,000 Incoming Managing Director Options with an exercise price of \$0.36 which are exercisable within five years from the date of issue. The fair value of the options is \$465,000; and
- 2,500,000 Incoming Managing Director Options with an exercise price of \$0.50 which are exercisable within five years from the date of issue. The fair value of the options is \$437,500.

- (c) Pursuant to the Tenement Sale Agreements outlined in Note 2 the company will issue subject to a number of conditions precedent of the following Options to the vendor or their nominee:

Vendor	Number of Options
Mithril Resources Ltd	2,500,000
Independence Group NL	1,912,500
Goldsearch Ltd	1,837,500
Integra Mining Ltd	1,500,000
Total	7,750,000

The above Tenement Vendor Options are unlisted, have an exercise price of \$0.25 and are exercisable at any time within 5 years from the date of issue. The Options have a total fair value of \$1,488,000.

The total fair value of the Options issued under (a), (b) and (c) above is \$2,809,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Note 10 – Share based remuneration (cont)

The table below outlines the inputs used in the Black-Scholes fair value option calculation:

	Director Options	Incoming Managing Director Options	Tenement Vendor Options
Exercise price	\$0.25	\$0.36	\$0.50
Option life	5 years	5 years	5 years
Underlying share price 1	\$0.25	\$0.25	\$0.25
Expected share price volatility 2	100%	100%	100%
Risk free interest rate	5.01%	5.51%	5.51%

¹ – The underlying share price assumed in the calculation of the fair value of the Options is the subscription price for each share pursuant to this Prospectus.

² – As Musgrave Minerals Ltd has no share trading history, the expected volatility has been based on the historical volatility of comparable companies listed on the ASX. It has been assumed this historical proxy will be indicative of future trends; however it should be noted that this outcome may not eventuate and the actual volatility may vary significantly.

Note 11 - Expenditure commitments

Service Agreement with Managing Director

Mr Robert Waugh, the Company's Managing Director has an employment agreement which outlines an annual remuneration of \$290,000 which is subject to annual review. The employment agreement has an initial term of 3 years, however can be extended by mutual agreement of both parties and may be terminated by either party upon the provision of 6 months written notice, or may be terminated by the Company if Mr Waugh breaches the express terms of this agreement. The expected minimum commitment for the duration of the current agreement is \$870,000.

Exploration Expenditure

Due to the nature of the Company's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature or amount of future expenditure. It will be necessary for the company to incur expenditure in order to retain present interests in exploration licences. The timing and amounts of exploration expenditure commitments of the Company may vary significantly from the forecast based upon the results of work performed by the Company.



9. Solicitors' Report on Tenements



The Directors
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22 February 2011

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Dear Sirs

PROSPECTUS – SOLICITORS' REPORT ON TENEMENTS

This Report is prepared for inclusion in a Prospectus to be dated on or about 28 February 2011 (**Prospectus**) and issued by Musgrave Minerals Limited (**Musgrave**) offering for subscription 60 million ordinary shares at an offer price of \$0.25 each to raise \$15 million with a minimum subscription of \$10 million and the right to accept oversubscriptions up to \$5 million.

1. Scope of the Report

The Report relates to:

- 1.1 the unregistered interests of Musgrave in respect of certain South Australian Exploration Licences (**EL**) and South Australian Applications for Exploration Licences (**ELA**) (collectively **Tenements**) identified in Part 1 of the Schedule to this Report;
- 1.2 the contracts relating to the Tenements which Musgrave has identified to us as being material contracts to which Musgrave is a party (**Material Contracts**), and which are summarised in Section 10 of this Prospectus; and
- 1.3 any claims lodged with the National Native Title Tribunal (**NNTT**) relating to the land the subject of the Tenements.

2. Searches

2.1 Title Searches

We have reviewed the results of searches of the Tenements conducted by the South Australian Department of Primary Industries and Resources (**PIRSA**) of the register maintained by PIRSA pursuant to the *Mining Act 1971* (SA) (**SA Mining Act**). The searches were conducted on 29 January 2011 and updated on 22 February 2011.

The key results of those searches are summarised in Part 1 of the Schedule to this Report.

As a result of those searches and our review of the Material Contracts, we consider that this Report (subject to the statements set out in this Report) provides an accurate statement of the status of, and of Musgrave's interests in, the Tenements as at the date those searches were conducted.

Musgrave is not the registered holder of any of the Tenements. Musgrave's interests are contractual rights to acquire an interest in the Tenements, which depend upon the parties to each relevant Material Contract complying with, and fulfilling the terms of, the Material Contract and satisfaction of any conditions precedent contained in it.

2.2 Native Title Searches

We have reviewed the results of searches conducted by the NNTT of the Register of Native Title Claims maintained by the NNTT in respect of the land covered by the Tenements. The searches were conducted on 1 February 2011.

The key results of those searches are summarised in Part 2 of the Schedule to this Report.

2.3 Material Contracts

We have examined the Material Contracts described in Section 10 of this Prospectus. It is our opinion, based upon an examination of the Material Contracts, that the description of them does not contain any statement or matter that is false in a material particular or is materially misleading in the form and context in which it appears.

3. Assumptions and Qualifications

This Report (including the Schedule) is based on, and is subject to, the assumptions and qualifications set out below and as otherwise specified elsewhere in this Report:

- 3.1 In compiling this Report, we have relied upon the accuracy, completeness and currency of information provided by third parties, including PIRSA, the NNTT and Musgrave and its representatives and agents, in response to enquiries and searches made, or caused to be made, by us. We cannot comment on whether any changes have occurred in respect of the Tenements between the date on which the information was provided to us and the date of the Prospectus.
- 3.2 The references in Part 1 of the Schedule to this Report to the areas of the Tenements are taken from details shown on the searches we have obtained from PIRSA. No independent survey was conducted to verify the accuracy of those areas.
- 3.3 We have assumed that the Tenements have been validly granted and that the relevant Minister and any persons exercising delegated authority in relation to the grants have acted within the scope of their powers and discretions.
- 3.4 We express no opinion as to whether and when each ELA will ultimately be granted in whole or in part, or the terms and conditions upon which it may be granted.
- 3.5 Where Ministerial consent is required in relation to any agreements or the transfer of any Tenement, we express no opinion as to whether such consent will be granted, or the consequences of consent being refused, although we are not aware of any matter which would cause consent to be refused.
- 3.6 We make the following assumptions in relation to the Material Contracts:
 - a. the Material Contracts detailed in Section 10 of this Prospectus are the only material contracts in relation to the Tenements of which we are aware;
 - b. the Material Contracts are duly executed and have been, or are in the course of being, stamped and lodged in compliance with the relevant legislation;
 - c. the authenticity of all seals and signatures on the Material Contracts;
 - d. the Material Contracts are within the capacity and powers of, have been validly authorised, executed and delivered by, and are binding on, each of the parties to them;
 - e. each party to each of the Material Contracts had, and has, full corporate power and lawful authority to observe and perform all of its obligations under them;
 - f. each Material Contract comprises the entire agreement of the parties;
 - g. the parties to each of the Material Contracts are complying with and will continue to comply with and fulfil the terms of the Material Contracts; and
 - h. the representations made by third parties (including Musgrave, its representatives and agents) in relation to the Material Contracts are true and correct.

- 3.7 Unless non-compliance with the terms and conditions of any Tenement and the provisions of the SA Mining Act and the regulations to the SA Mining Act is disclosed on the face of the searches referred to in paragraph 2, we express no opinion as to such compliance.
- 3.8 Native title or Aboriginal heritage sites may exist in the areas covered by the Tenements. Whilst we have conducted searches to ascertain what native title claims, if any, have been registered over these areas, we have not undertaken the considerable legal, historical, anthropological and ethnographic research which would be necessary to determine if additional claims are likely, or to form an opinion as to whether the existing or any future claims for native title will succeed and, if so, what the implications would be for Musgrave.

4. Tenements

4.1 Exploration Licences

In South Australia ELs are issued subject to standard conditions under the SA Mining Act, the *Mining Regulations 1998 (SA)* (**SA Mining Regulations**) and the terms and conditions prescribed by the Minister from time to time, including the following key conditions:

- (a) An EL authorises exploratory operations of the kind described in the EL in respect of land over which it is granted, except exploratory operations for extractive minerals or precious stones.
- (b) An EL has a term of up to five years, but if granted for a lesser term, may be renewed for a period that does not in aggregate exceed five years.
- (c) The Minister may, on expiration of an EL the term or aggregate of terms of which was five years, grant to the licensee a subsequent EL.
- (d) The maximum area of an EL is 1,000 square kilometres, but there is Ministerial discretion to grant an EL over a larger area in some circumstances.
- (e) The Minister may, at any time, require the holder to pay to any person an amount of compensation, stipulated by the Minister, to which that person is, in the opinion of the Minister, entitled in consequence of loss or damage suffered by that person as a result of operations conducted in pursuance of the EL.
- (f) The licensee must, as soon as reasonably practicable, report to the Director of Mines the discovery of minerals potentially capable of economic production.
- (g) The licensee must conduct operations under the EL in accordance with a programme approved from time to time by the Minister designed to:
 - (A) prevent pollution to or contamination of surface or ground water;
 - (B) minimise surface damage to the land; and
 - (C) ensure that, in drilling or other underground investigations, no interconnection between ground water aquifers occurs.
- (h) An EL may be suspended or cancelled where the licensee contravenes or fails to comply with any provision of the SA Mining Act or any condition of the EL.
- (i) An EL confers no right to carry out mining operations on native title land unless:
 - (A) the mining operations do not affect native title (that is, are wholly or partially inconsistent with the continued existence or enjoyment of native title rights);
 - (B) declaration is made under a law of a State or the Commonwealth that the land the subject of the EL is not subject to native title;
 - (C) an agreement has been reached with the native title parties that authorises the mining operations; or
 - (D) a determination authorising the mining operations is made under Part 9B of the SA Mining Act.
- (j) The holder of an EL must comply with minimum expenditure commitments prescribed by the SA Mining Act.

- (k) The annual fee for an EL is currently \$8.20 per square kilometre per year.
- (l) An EL may not be assigned or otherwise dealt with, either directly or indirectly, without the written consent of the Minister.
- (m) The tenement holder must give written notice to landholders of the relevant land (including native title holders) before entering the land for exploration or mining purposes, and access arrangements are to be entered into in accordance with the requirements of the SA Mining Act.

Further conditions are specified in the licence for each EL. These conditions are summarised in Part 1 of the Schedule to this Report.

4.2 Exploration Licence Applications

Subject to paragraph 4.3, the process for the grant of an EL in South Australia is as follows:

- (a) Applications for ELs are to be in a prescribed form and lodged with the Director of Mines pursuant to section 29 of the SA Mining Act. If the Minister determines that he or she is willing to grant to the applicant an EL (subject to the operation of the SA Mining Act and SA Mining Regulations), the Minister must advise the applicant by notice in writing of the terms and conditions under which the Minister is prepared to grant the EL.
- (b) The applicant must then notify the Minister in writing as to whether they are willing to accept the terms and conditions prescribed by the Minister. If the applicant accepts the terms and conditions, and pays the appropriate fee, the Minister will approve the application.
- (c) An ELA which has been lodged under the SA Mining Act confers priority over the subject area until the Minister has decided whether or not to grant the licence applied for.
- (d) As the Tenements are situated almost entirely within the lands described in schedule 1 of the *Anangu Pitjantjatjara Yankunytjatjara Land Rights Act 1981* (SA) (**APY Land Rights Act**) (**APY Lands**), submissions will be sought from Anangu Pitjantjatjara Yankunytjatjara (**APY**) in relation to the proposed grant of any of the above ELAs.

4.3 Anangu Pitjantjatjara Yankunytjatjara Lands

As noted in further detail below, the Tenements are situated almost entirely within the APY Lands.

The APY Land Rights Act provides that it is an offence to carry out mining operations upon the APY Lands or to enter those lands for the purpose of carrying out mining operations, without obtaining the required permission under that Act. For present purposes, mining operations is defined to include exploring for minerals.

The APY Land Rights Act also provides that a mining tenement (including an exploration licence) may not be granted in respect of the APY Lands or a part of those lands, except to a person who has permission to carry out such 'mining' operations on those APY Lands. Before a tenement is granted in relation to the APY Lands (or any part thereof) the Minister must afford APY a reasonable opportunity to make submissions relating to the conditions subject to which the tenement should be granted.

5. Native Title

5.1 Introduction

The decision of the High Court of Australia in *Mabo v Queensland (No 2)* (1992) 175 CLR 1 (**Mabo**) recognised the concept of Aboriginal native title to land where those rights survived the acquisition of sovereignty by non-indigenous people.

Following *Mabo*, native title rights were recognised where the claimants could establish that they have enjoyed certain customary rights and privileges in respect of a particular area of land and that they have continuously maintained their traditional connection with that land. Such a claim will not be recognised if the native title has been extinguished.

The *Native Title Act 1993* (Cth) (**NTA**) was enacted in response to *Mabo* to regulate dealings with native title land. The NTA commenced on 1 January 1994 and was substantially amended in 1998 by the *Native Title Amendment Act 1998* (Cth) in response to the High Court of Australia decision of *Wik Peoples v Queensland* (1996) 187 CLR 1 (**Wik**). In summary, the NTA currently provides a legislative framework to:

- (a) regulate the recognition, protection and extinguishment of native title;
- (b) validate past acts (including pastoral leases, mining tenements and ancillary titles) granted before 1 January 1994 which might otherwise be invalid due to native title;
- (c) validate intermediate period acts granted between 1 January 1994 and 23 December 1996, which might otherwise be invalid due to native title;
- (d) authorise valid acts in relation to native title lands occurring after the introduction of the NTA on 1 January 1994;
- (e) provide for a negotiation process between government, native title and nonnative title parties in relation to certain future uses of native title lands; and
- (f) compensate for the extinguishment or impairment of native title.

In 2002 native title rights were further clarified by the decision of the High Court of Australia in *Western Australia v Ward* (2002) 191 ALR 1. The High Court of Australia confirmed (in relation to the facts of that case) that:

- (a) native title interests may be seen as a bundle of rights, each of which needs to be separately proven and each of which is capable of being extinguished;
- (b) the rights of land users (under a validly granted mining lease) and the rights of native title parties can co-exist, however where these rights conflict, the rights of the native title claimants must yield to the rights conferred by the grant of the mining lease; and
- (c) no native title rights to minerals or petroleum could be recognised (on the facts of this case) because there was no evidence of any traditional Aboriginal law, custom or use in relation to minerals or petroleum.

5.2 Extinguishment of Native Title

The common law of Australia provides that upon acquisition of sovereignty by the Crown, native title became vulnerable to extinguishment by legislative or executive actions of Government which manifested a clear and plain intention to extinguish native title. Valid alienation of land by the Crown, such as the granting of an interest which is wholly or partly inconsistent with a continuing right to enjoy native title, extinguishes native title to the extent of any inconsistency.

The NTA regulates the extinguishment of native title by the Commonwealth. In this regard, the NTA provides that 'previous exclusive possession acts' (including grants of freehold or possession on the holder) will have completely extinguished native title. 'Previous non-exclusive possession acts' (including grants of leasehold interests that conferred non-exclusive possession on the holder, such as many pastoral leases) will only have extinguished native title to the extent of any inconsistency between the native title rights and the rights conferred under the grant.

Since the NTA only provides for extinguishment of native title by the Commonwealth, State and Territory Governments enacted complementary native title legislation to regulate the extinguishment of native title in that State or Territory. The relevant South Australian legislation is considered in paragraph 5.4.

5.3 Validity of Title

Under the NTA tenements granted prior to 1 January 1994 are deemed to be valid and native title is suspended by their grant.

Mining tenements granted in the period 1 January 1994 and 23 December 1996, which may otherwise have been invalid due to non-compliance with the NTA, are deemed to be valid under the NTA so far as the tenements were granted over land the subject of a pastoral lease or other prescribed leasehold land.

The validity of titles, permits or approvals granted on or after 1 January 1994 generally depends on compliance with the NTA future act procedure.

Under the NTA the grant of a mining tenement after 1 January 1994 is generally a future act if it affects native title, that is, if it extinguishes native title rights and interests, or it is wholly or partly inconsistent with their continued existence, enjoyment or exercise. Where there is no previous right to have a licence granted, all future acts which create a 'right to mine' (as defined in the NTA) will only be valid if the relevant future act procedures, including compliance with the right to negotiate (RTN) process, under the NTA are adhered to.

The RTN process consists of a statutory period of negotiation between the relevant Government party, the native title party and the grantee, during which time the parties must negotiate in good faith. If negotiations fail to resolve any dispute as to the grant of the relevant interest the NNTT (as the arbitral body) will make a determination as to whether the grant may proceed (and if so, on what conditions). Subject to Federal Ministerial intervention or the agreement of the parties, the decision of the NNTT will determine whether the interest is granted. Tenements which have been granted under the future act procedures of the NTA may be renewed provided there is no expansion of the rights granted and, in particular, no increase in the area, extension of the term or creation of new rights.

The RTN process is not required to be followed in circumstances where the expedited procedure applies or where an Indigenous Land Use Agreement (ILUA) is negotiated with the relevant Aboriginal people and registered with the NNTT, in which case the procedures prescribed by the ILUA must be followed to obtain the valid grant of the tenement.

5.4 Native Title in South Australia

The NTA provides for the enactment by State Governments of alternative legislation for the validation of past acts and intermediate period acts which are attributable to that State. Since the NTA only provides for extinguishment and validation of native title by the Commonwealth, each State and Territory Government enacted complementary native title legislation substantially enacting the provisions of the NTA.

In 1996 the *Native Title (South Australia) Act 1994* (SA) amended the SA Mining Act to provide an alternate and complementary State-based system which largely replaces the operation of the RTN process under the NTA in South Australia. Part 9B of the SA Mining Act acts in conjunction with the NTA and allows the South Australian Government to validate past acts which might otherwise be invalid due to native title.

The *Native Title (South Australia) (Validation and Confirmation) Amendment Act 2000* (SA) (**SA Amending Act**), which came into operation on 22 January 2001, provided for the validation of intermediate period acts attributable to the State of South Australia and extinguished native title over land the subject of the majority of perpetual lease categories as granted on or before 23 December 1996 under the *Crown Lands Act 1929* (SA). Where native title may otherwise have applied to properties covered by the SA Amending Act, those properties will no longer be claimable.

In South Australia, tenements granted after 1 January 1994 are future acts under the NTA. Where tenements were granted after 17 June 1996 (including the Tenements) the provisions of Part 9B of the SA Mining Act must be followed in order to validate the grant of the tenements, instead of the NTA future act procedures.

Under Part 9B of the SA Mining Act, the grant of a tenement confers no right to carry out mining operations, including prospecting, exploring or mining for minerals on native title land unless:

- (a) the mining operations do not affect native title (that is, they are not wholly or partly inconsistent with the continued existence, enjoyment or exercise of rights deriving from native title);
- (b) a declaration is made under the law of the State or the Commonwealth that the land is not subject to native title;
- (c) an ILUA is registered under the NTA; or
- (d) a determination authorising the mining operations is made under Part 9B of the SA Mining Act.

The holder of an EL that would, if land were not native title land, authorise mining operations on the land may acquire the right to carry out mining operations on the land (that affect native title) from an agreement authorising the operations negotiated with the relevant native title parties, whether such parties are the registered holder of native title or registered native title claimants.

5.5 Native Title Affecting the Tenements

From enquiries we have made of NNTT, we are aware of certain native title claims which may impact on the Tenements. These are identified in Part 2 of the Schedule to this Report. The fact that a claim has been lodged does not mean that native title exists over the area claimed, nor does the absence of a claim necessarily indicate that no native title exists over that area. The existence of native title will be established in due course as the claims are processed by the Federal Court of Australia, and it is possible that further claims may be made in the future.

6. Tenements

We comment in relation to each project area as follows. However, we have not undertaken the detailed underlying tenure investigations necessary to conclusively establish the existence of native title and our comments are of a general nature only.

6.1 Musgrave Argonaut Project

The Musgrave Argonaut Project area (comprising ELAs 143/97, 144/97, 186/97 and 321/97) is situated entirely within the APY Lands such that APY permission is required before the rights conferred by any mining tenement (which includes an EL) may be exercised, and further that APY is entitled to make submissions relating to the conditions upon which any EL is to be granted.

6.2 Musgrave Barrick Project

The Musgrave Barrick Project area (comprising ELs 3939, 3940, 3941 and 3942) is situated entirely within the APY Lands, and we refer to our comments in paragraph 6.1 in relation to the grant of tenements and conduct of exploration activities within the APY Lands.

APY has, by Deeds of Assignment, Assumption and Release, consented to the transfer of these tenements to Musgrave and the conduct of certain exploratory operations on terms and conditions as set out in Deeds of Exploration (as described in Part 1 of the Schedule to this Report and in Section 10.5(b) of this Prospectus).

6.3 Musgrave IGO/Goldsearch Project

The Musgrave IGO/Goldsearch Project area (comprising ELAs 260/96, 262/96, 336/96, 337/96, 338/96, 339/96, 340/96, 341/96, 342/96, 35/99 and 534/96 and ELs 3954 and EL 3955) is situated almost entirely within the APY Lands and to that extent is not within the area of a native title claim. We refer to our comments in paragraph 6.1 in relation to the grant of tenements and conduct of exploration activities within the APY Lands.

In respect of EL 3954 and EL 3955 APY has, by Deed of Assignment, Assumption and Release, consented to the transfer of these tenements to Musgrave and the conduct of certain exploratory operations on terms and conditions as set out in a Deed of Exploration (as described in Part 1 of the Schedule to this Report and in Section 10.6(b) of this Prospectus).

A fractional portion of each of ELA 262/96 (0.00149 sq km) and ELA 35/99 (0.01145 sq km) extends beyond the boundary of the APY Lands and overlaps pastoral lease 10 land.

Pastoral lease land admits the continued existence of native title rights and interests, to the extent that such native title rights and interests have continued to exist in accordance with Aboriginal traditional custom and are not inconsistent with the rights of the holder of the pastoral lease and any other extinguishing event. However, by virtue of the SA Amending Act, the grant of certain pastoral leases conferring exclusive possession, being a past or intermediate act (as defined in paragraph 5.1) may also have extinguished native title rights over the relevant land.

The relevant portions of ELA 262/96 and ELA 35/99 comprising pastoral lease land fall within the area of Claim No SC 94/2 (De Rose Hill). This claim has been accepted for registration such that the claimants are entitled to the right to negotiate.

6.4 Musgrave Integra Project

The Musgrave Integra Project area (comprising ELAs 297/97, 364/97, 380/97, 468/97 and 605/97) is situated entirely within the APY Lands. We refer to our comments in paragraph 6.1 in relation to the grant of tenements and conduct of exploration activities within the APY Lands.

6.5 Musgrave PMC/Zeil No 1 Project

The Musgrave PMC/Zeil No 1 Project area (comprising EL 4047 and ELAs 53/97, 54/97, 55/97, 56/97, 57/97, 58/97, 60/97, 61/97, 62/97 and 63/97) is situated almost entirely within the APY Lands. We refer to our comments in paragraph 6.1 in relation to the grant of tenements and conduct of exploration activities within the APY Lands.

In relation to EL 4047, APY has, by Deed of Assignment, Assumption and Release, consented to the transfer of this tenement to Musgrave and the conduct of certain exploratory operations on terms and conditions as set out in a Deed of Exploration (as described in Part 1 of the Schedule to this Report and in Section 10.7(b) of this Prospectus).

A fractional portion of each of ELA 61/97 (0.04618 sq km) and ELA 62/97 (0.00967 sq km) falls within pastoral lease land. We refer to our comments in paragraph 6.3 in relation to pastoral lease land. The relevant portion of ELA 61/97 falls within the area of Claim No SC 95/7 (Antakarinja Matu-Yankunytjatjara). This claim has been accepted for registration such that the claimants are entitled to the right to negotiate (subject to the terms of the AAME ILUA described below).

A portion of ELA 61/97 (0.0179 sq km) is subject to the Antakarinja Area Minerals Exploration ILUA (**AAME ILUA**). The AAME ILUA was registered with the NNTT on 14 June 2005.

The AAME ILUA is a framework agreement made between the Antakarinja native title claim group, the South Australian Chamber of Mines and Energy and the State of South Australia. It enables the Antakarinja people to authorise the grant of exploration tenements that would otherwise be subject to the negotiation procedure under Part 9B of the SA Mining Act. The AAME ILUA provides that the right to negotiate does not apply to the grant of authorised exploration tenements, or the carrying out of authorised exploration activities on the authorised tenement under the AAME ILUA.

The relevant portion of ELA 62/97 which overlaps pastoral lease land (as identified 11 above) falls within the area of Claim No SC 97/9 (Yankunytjatjara Antakarinja), which claim has been discontinued, and also overlaps the areas of the Marla Township ILUA and The Welbourn Hill Pastoral ILUA.

The Marla Township ILUA, made between the Yankunytjatjara Native Title Aboriginal Corporation, the State of South Australia and members of the Yankunytjatjara/Antakarinja native title claim group, was registered with the NNTT on 26 May 2009. The Welbourn Hill Pastoral ILUA, made between the State of South Australia and members of the Yankunytjatjara/Antakarinja native title claim group, was registered with the NNTT on 4 June 2007.

6.6 Musgrave SA Project

The Musgrave SA Project area (comprising ELAs 154/08, 156/08, 31/01, 40/97 and 41/97) is situated entirely within the APY Lands. We refer to our comments in paragraph 6.1 in relation to the grant of tenements and conduct of exploration activities within the APY Lands.

7. Other Applicable Legislation

The following Commonwealth and South Australian legislation may also apply to exploration and mining operations on the Tenements.

7.1 Aboriginal Heritage and Sites of Significance

(a) Commonwealth Legislation

The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth) provides for the preservation of areas and objects which are of particular significance to Aboriginal people in accordance with Aboriginal tradition, and may have the potential to halt exploration activities if the Minister makes a declaration for the protection and preservation of an area of Aboriginal significance under the Act.

(b) South Australian Legislation

The *Aboriginal Heritage Act 1988* (SA) (AHA) provides for the protection and preservation of Aboriginal heritage in South Australia by the identification of sites of significance to Aboriginal people on the Register of Aboriginal Sites and Objects maintained pursuant to the AHA. The effect of entry on the Register is that the site or object will be conclusively presumed to be an Aboriginal site or object.

All operators and holders of interests under a tenement must observe the provisions of the AHA in relation to operations on their tenements. Discovered Aboriginal sites and remains must be reported to the relevant Minister. It is an offence not to carry out the reporting procedure if Aboriginal sites, objects or remains are discovered. It is also an offence to damage any Aboriginal object, or disturb or interfere with or remove any Aboriginal object or remains. The Minister has the power under the AHA to give directions prohibiting or restricting activities on or in relation to the site or an area surrounding the site or in relation to the object or remains. This potentially includes exploration and mining activities.

In South Australia, Aboriginal Heritage Agreements are often entered into with relevant Aboriginal groups to deal with the protection or preservation of Aboriginal sites, objects or remains on land upon which exploration or mining activities are to be undertaken. These agreements are in addition to agreements under Part 9B of the SA Mining Act.

7.2 Environment and Rehabilitation of Land

(a) Commonwealth Legislation

Under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) environmental assessment and approval is required for actions that are likely to have a significant impact on a matter protected by the EPBC Act. When a person proposes to take an action that they believe may need approval under the EPBC Act, they must refer the proposal to the Australian Government Minister for the Environment and Water Resources.

(b) South Australian Legislation

The SA Mining Act includes obligations requiring tenements to be rehabilitated. In addition, Musgrave's operations on the Tenements are subject to the provisions of the *Environment Protection Act 1993* (SA),

8. Consent and Declarations

The partners of O'Loughlins Lawyers and the staff involved in the preparation of this Report have no interest in or financial relationship with Musgrave. Other than a time based fee for the preparation of this Report, no pecuniary or other benefit, direct or indirect, has been received by O'Loughlins Lawyers in connection with the making of this Report.

In providing this Report we have relied on (and have not sought to verify) the accuracy of information provided to us by PIRSA and the NNTT in response to searches made, or caused to be made, by us of their records and registers. In reliance upon this information, we believe this Report does not contain anything which is false in a material particular or which is materially misleading in the form and context in which it appears. We have not undertaken any additional searches of other government agencies or of Courts or Tribunals.

We have given, and have not before the lodgement of the Prospectus withdrawn, our consent to the issue of the Prospectus with this Report in the form and context in which it is included.

Yours faithfully
O'Loughlins Lawyers

O'Loughlins Lawyers

Project Area	Tenement	Name / Location	Status	Date Granted	Renewal Date (**Expiry)	Area (sq km) (unless otherwise specified)	Registered Holder / Applicant	Annual Statutory Expenditure Commitments	Material Contracts	Native Title Claims (*not current)	Notes
Musgrave tArgonaut Project	ELA 143/97	Carbeena Hill	Application	–	–	1,040	Kelaray Pty Ltd (Kelaray)	–	10.4	–	1, 2
Musgrave Argonaut Project	ELA 144/97	Harcus	Application	–	–	835	Kelaray	–	10.4	–	1, 2
Musgrave Argonaut Project	ELA 321/97	Moombunya	Application	–	–	1,815	Kelaray	–	10.4	–	1, 2
Musgrave Argonaut Project	ELA 321/97	South of Mt Illilinnna	Application	–	–	624	Kelaray	–	10.4	–	1, 2
Musgrave Barrick Project	EL 3939	Mount Woodward	Granted/ Current (Renewal decision pending)	5/10/07	4/10/10	22	Delta Gold Limited (Delta Gold)	\$60,000	10.5	–	1, 3, 4, 6, 7, 8, 21
Musgrave Barrick Project	EL 3940	Mount Woodroffe	Granted/ Current (Renewal decision pending)	5/10/07	4/10/10	424	Delta Gold	\$140,000	10.5	–	1, 3, 4, 6, 7, 8, 21
Musgrave Barrick Project	EL 3941	Hanging Knoll	Granted/ Current (Renewal decision pending)	5/10/07	4/10/10	427	Delta Gold Exploration Pty Ltd (Delta Exploration)	\$70,000	10.5	–	1, 3, 7, 8, 9, 21
Musgrave Barrick Project	EL 3942	Mount Hardy	Granted/ Current (Renewal decision pending)	5/10/07	4/10/10	565	Delta Exploration	\$85,000	10.5	–	1, 3, 5, 6, 7, 8, 9, 21
Musgrave IGO/ Goldsearch Project	ELA 260/96	Ernabella South	Application	–	–	519	Goldsearch Limited (Goldsearch)	–	10.6	–	1, 10
Musgrave IGO/ Goldsearch Project	ELA 262/96	Marble Hill	Application	–	–	463	Goldsearch	–	10.6	SC94/2	1, 10
Musgrave IGO/ Goldsearch Project	ELA 336/96	Wright Hill	Application	–	–	653	Miltonpak Pty Ltd (Miltonpak)	–	10.6	–	1, 10
Musgrave IGO/ Goldsearch Project	ELA 337/96	Streich Hills	Application	–	–	1,854	Miltonpak	–	10.6	–	1, 10
Musgrave IGO/ Goldsearch Project	ELA 338/96	Purndo Hills	Application	–	–	620	Miltonpak	–	10.6	–	1, 10
Musgrave IGO/ Goldsearch Project	ELA 339/96	Punkerri Hills	Application	–	–	1,301	Miltonpak	–	10.6	–	1, 10
Musgrave IGO/ Goldsearch Project	ELA 340/96	Mt Holder	Application	–	–	2,198	Goldsearch	–	10.6	–	1, 10
Musgrave IGO/ Goldsearch Project	ELA 341/96	Ayliffe Hill	Application	–	–	1,230	Goldsearch	–	10.6	–	1, 10
Musgrave IGO/ Goldsearch Project	ELA 342/96	Musgrave Ranges	Application	–	–	2,136	Goldsearch	–	10.6	–	1, 10
Musgrave IGO/ Goldsearch Project	ELA 35/99	Myall Swamp	Application	–	–	692	Goldsearch	–	10.6	SC94/2	1, 10

Project Area	Tenement	Name / Location	Status	Date Granted	Renewal Date (**Expiry)	Area (sq km) (unless otherwise specified)	Registered Holder / Applicant	Annual Statutory Expenditure Commitments	Material Contracts	Native Title Claims (*not current)	Notes
Musgrave IGO/ Goldsearch Project	EL 3954	Everard Park	Granted/ Current (Renewal decision pending)	19/10/07	18/10/10	714	Independence Group NL (Independence) 51%/Goldsearch 49%	\$125,000	10.6	–	1, 7, 10, 11, 12, 13
Musgrave IGO/ Goldsearch Project	EL 3955	Echo Hill	Granted/ Current	19/10/07	18/10/11	1,906	Independence 51%/ Goldsearch 49%	\$215,000	10.6	–	1, 10, 11, 13
Musgrave IGO/ Goldsearch Project	ELA 534/96	Bull Hill	Application	–	–	1,783	Caytale Pty Ltd	–	10.6	–	1, 10
Musgrave Integra Project	ELA 297/97	Mt Whinham	Application	–	–	2,015	Integra Mining Limited (Integra)	–	10.3	–	1, 14
Musgrave Integra Project	ELA 364/97	Mt Agnes	Application	–	–	1,342	Integra	–	10.3	–	1, 14
Musgrave Integra Project	ELA 380/97	Krewinkel Hill	Application	–	–	1,256	Integra	–	10.3	–	1, 14
Musgrave Integra Project	ELA 468/97	Cave Hill	Application	–	–	215	Integra	–	10.3	–	1, 14
Musgrave Integra Project	ELA 605/97	South Pindyin Hills	Application	–	–	152	Integra	–	10.3	–	1, 14
Musgrave PMC/Zeil No 1 Project	EL 4047	Bryson Hill	Granted/ Current (Renewal decision pending)	25/2/08	24/2/11	1,534	Mithril Resources Limited (Mithril)	\$180,000	10.7	–	1, 7, 15, 16, 17, 21
Musgrave PMC/Zeil No 1 Project	ELA 53/97	Mount Cooperinna	Application	–	–	1,013	Mithril	–	10.7	–	1, 15
Musgrave PMC/Zeil No 1 Project	ELA 54/97	Mt Harcus	Application	–	–	2,360	Mithril	–	10.7	–	1, 15
Musgrave PMC/Zeil No 1 Project	ELA 55/97	Ooonmooninna	Application	–	–	595	Mithril	–	10.7	–	1, 15
Musgrave PMC/Zeil No 1 Project	ELA 56/97	Yelooginna	Application	–	–	1,241	Mithril	–	10.7	–	1, 15
Musgrave PMC/Zeil No 1 Project	ELA 57/97	Birksgate Range	Application	–	–	1,656	Mithril	–	10.7	–	1, 15
Musgrave PMC/Zeil No 1 Project	ELA 58/97	Mount Poondinna	Application	–	–	1,721	Mithril	–	10.7	–	1, 15
Musgrave PMC/Zeil No 1 Project	ELA 59/97	Moolalpinna	Application	–	–	2,308	Mithril	–	10.7	–	1, 15
Musgrave PMC/Zeil No 1 Project	ELA 60/97	Kenmore Park	Application	–	–	666	Mithril	–	10.7	–	1, 15
Musgrave PMC/Zeil No 1 Project	ELA 61/97	Cartu Hill	Application	–	–	2,108	Mithril	–	10.7	SC95/7	1, 15, 18
Musgrave PMC/Zeil No 1 Project	ELA 62/97	Mintabie	Application	–	–	1,926	Mithril	–	10.7	SC97/9*	1, 15, 19

Project Area	Tenement	Name / Location	Status	Date Granted	Renewal Date ("Expiry)	Area (sq km) (unless otherwise specified)	Registered Holder / Applicant	Annual Statutory Expenditure Commitments	Material Contracts	Native Title Claims (*not current)	Notes
Musgrave PMC/Zeil No 1 Project	ELA 63/97	Mount Davenport	Application	–	–	1,957	Mithril	–	10.7	–	1, 15
Musgrave SA Project	ELA 154/08	East Deering Hills	Application	–	–	37	Mithril	–	10.2	–	1, 20
Musgrave SA Project	ELA 156/08	Pallatu	Application	–	–	12	Mithril	–	10.2	–	1, 20
Musgrave SA Project	ELA 31/01	Holywater	Application	–	–	338	Minex (Aust) Pty Ltd (Minex)	–	10.2	–	1, 20
Musgrave SA Project	ELA 40/97	Bowden Hill	Application	–	–	1,507	Minex	–	10.2	–	1, 20
Musgrave SA Project	ELA 41/97	Eunyarinna Hill	Application	–	–	2,385	Minex	–	10.2	–	1, 20

Notes

1. Tenement within APY Lands.
2. Musgrave Argonaut Project Tenement Sale Agreement dated 9 November 2010 (not yet registered) and Heads of Agreement-Farm In and Joint Venture dated 24 November 2005 (to be terminated) (refer Material Contracts Section 10.4 of this Prospectus). Kelaray is a wholly owned subsidiary of Argonaut Resources NL.
3. Musgrave Barrick Project Tenement Sale Agreement dated 20 August 2010 (not yet registered) and Musgrave Joint Venture Letter Agreement dated 22 March 2007 (registered) (as varied by Deed of Variation dated 22 April 2009 (unregistered)) (to be terminated) (refer Material Contracts Section 10.5(a) of this Prospectus). The ultimate holding company of both Delta Gold and Delta Exploration is Barrick Gold Corporation.
4. Deed of Exploration dated 4 October 2000 (unregistered) assigned to Musgrave by Deed of Assignment, Assumption and Release dated 8 September 2010 (not yet registered) (refer Material Contracts Section 10.5(b) of this Prospectus).
5. Deeds of Exploration (x2) both dated 14 January 2002 (unregistered) assigned to Musgrave by Deed of Assignment, Assumption and Release dated 8 September 2010 (not yet registered) (refer Material Contracts Section 10.5(b) of this Prospectus).
6. Deed of Exploration dated 26 July 2007 (registered) between APY, Mithril, Delta Gold and Delta Exploration, which will terminate upon the transfer of these tenements to Musgrave.
7. Renewal decision pending.
8. Condition imposed requiring licensee to comply with the Deed of Exploration referred to in Note 6.
9. Giles Complex Farm In and Joint Venture Agreement dated 8 April 1998 (registered) between Rio Tinto Exploration Pty Ltd, Delta Gold and Delta Exploration, no longer applicable to these tenements, by letter agreement between the parties dated 6 April 2006.
10. Musgrave IGO/Goldsearch Project Tenement Sale Agreement dated 20 October 2010 (not yet registered), together with Joint Venture Agreement dated 4 December 2003 (registered) as varied by Letter of Variation dated 15 February 2007 (registered) (to be terminated) (refer Material Contracts Section 10.6(a) of this Prospectus). Caytale Pty Ltd and Miltonpak are wholly owned subsidiaries of Goldsearch.
11. Deeds of Exploration (x2) dated 20 July 2007 (registered) as assigned to Independence by Deed of Assignment and Assumption dated 25 May 2009 (registered) and further assigned to Musgrave by Deed of Assignment, Assumption and Release dated 8 September 2010 (not yet registered) (refer Material Contracts Section 10.6(b) of this Prospectus).
12. Conditions imposed relating to petroleum tenements, prohibiting activities which may significantly deleteriously affect the potential for coal seam methane drainage or in situ gasification of coal within any overlapping exploration licence under the Petroleum Act 2000 (SA) applied for prior to the date of application of this EL, without the agreement of the relevant licensee, unless otherwise agreed by the Minister.
13. Condition imposed requiring licensee to comply with the Deeds of Exploration referred to in Note 11.
14. Musgrave Integra Project Tenement Sale Agreement dated 25 October 2010 (not yet registered) (as varied by Deed of Variation dated 21 February 2011) and Farm In and Joint Venture Heads of Agreement dated 18 January 2008 (to be terminated) (refer Material Contracts Section 10.3 of this Prospectus).
15. Musgrave Block Farm-In and Joint Venture Agreement dated 11 January 2005 (registered) as assigned to Musgrave by Deed of Assignment and Assumption dated 15 February 2011 (not yet registered) (refer Material Contracts Section 10.7(a) of this Prospectus).

16. Deed of Exploration dated 11 December 2007 (registered) as assigned to Musgrave by Deed of Assignment, Assumption and Release dated 8 September 2010 (not yet registered) (refer Material Contracts Section 10.7(b) of this Prospectus).
17. Condition imposed requiring licensee to comply with Deed of Exploration referred to in Note 16.
18. A portion of this ELA falls within the area of the Antakirinja Area Minerals Exploration ILUA.
19. A portion of this ELA falls within the area of the Marla Township ILUA and The Welbourn Hill Pastoral ILUA.
20. Musgrave SA Project Tenement Sale Agreement dated 20 October 2010 (not yet registered) (as varied by Deed of Variation dated 21 February 2011) (refer Material Contracts Section 10.2 of this Prospectus). Minex is a wholly owned subsidiary of Mithril.
21. Master Participation Agreement dated 21 December 2007 (registered) between BHP Billiton Minerals Pty Ltd and Mithril (expired 31 December 2010).

Part 2 – Summary of Native Title Claims

Claim	Federal Court Number	NNTT Number	Date of Lodgement	Accepted for Registration
De Rose Hill	SAD6001/96	SC94/2	09/12/1994	Yes
Antakirinja Matu – Yankunytjatjara	SAD6007/98	SC95/7	14/11/1995	Yes
Yankunytjatjara Antakirinja	SAD6022/98	SC97/9	21/11/1997 (discontinued 27/05/2009)	Yes

10. Material Contracts

Set out below are summaries of the more important provisions of contracts to which the Company is a party and which are or may be material in terms of the Offer or the operations of the Company or otherwise are or may be relevant to an investor who is contemplating the Offer.

To fully understand all rights and obligations in the material contracts it is necessary to read them in full. A copy of each of these contracts may be inspected during normal business hours at the registered office of the Company.

10.1 Directors' Indemnity, Insurance and Access Deeds

As permitted by the Constitution, the Company has entered into an Indemnity, Insurance and Access Deed with each Director. The indemnity is subject to restrictions prescribed in the Corporations Act.

In summary, the Deed:

- requires the Company to indemnify a Director against liabilities incurred as a result of acting as a director subject to certain exclusions and provides for related legal costs to be paid by the Company;
- requires the Company to use its best endeavours to maintain an insurance policy against any liability incurred by a person in his or her capacity as a Director during that person's term of office and seven years thereafter; and
- provides a Director with a right of access to board papers and other documents while in office and for seven years thereafter.

10.2 Musgrave SA Project – Tenement Sale Agreement

Mithril and Minex (Aust) Pty Ltd (**Minex**) (as sellers) and the Company (as buyer) are parties to a Tenement Sale Agreement dated 20 October 2010 (as varied by Deed of Variation dated 21 February 2011) in respect of South Australian ELAs 156/08, 154/08, 40/97, 31/01 and 41/97 (**Musgrave SA Project Tenements**).

The Agreement is conditional upon:

- any approvals or consents required under the Mining Act being obtained;
- the sellers obtaining all required shareholder approvals under the Corporations Act and the Listing Rules (which shareholder approvals are not required);
- ASX granting the Company conditional approval (subject only to the imposition of conditions usual to such approvals) for its Shares to be listed for quotation on ASX, pursuant to this Prospectus; and
- the sellers obtaining the consent of the relevant joint venture parties to the assignment or termination of the:
 - Letter Agreement dated 22 March 2007 between Barrick (PD) Australia Ltd (**Barrick**) and Mithril (this Agreement will be terminated at completion of the Tenement Sale Agreement referred to in Section 10.5(a) of this Prospectus);
 - Heads of Agreement - Farm in and Joint Venture dated 24 November 2005 between Kelaray Pty Ltd (**Kelaray**) and Mithril (this Agreement will be terminated at completion of the Tenement Sale Agreement referred to in Section 10.4 of this Prospectus);
 - Farm-In and Joint Venture Heads of Agreement dated 18 January 2008 between Integra and Mithril (this Agreement will be terminated at completion of the Tenement Sale Agreement referred to in Section 10.3 of this Prospectus); and
 - Musgrave Block Farm-In and Joint Venture Agreement dated 11 January 2005 between Pitjantjatjara Mining Company Pty Limited (in its personal capacity and in its capacity as trustee for the Anangu Uwankaraku Trust) (**PMC**), Zeil No 1 Pty Ltd (**Zeil**) and Mithril (as described in Section 10.7(a) of this Prospectus). The interest of Mithril in this Agreement will be assigned to the Company pursuant to the Deed of Assignment and Assumption referred to Section 10.7(a) of this Prospectus.

If any of these conditions is not satisfied or waived by 30 April 2011 (or such later date as may be agreed) then the Agreement may be rescinded by either party.

The consideration of \$1,730,000 (GST exclusive) is payable by the Company by the issue to the sellers or their nominees (or both) at completion of 5 million Shares and 2.5 million Options each with an exercise price of \$0.25 expiring 5 years after the date of grant and otherwise on the terms and conditions set out in Section 11.10(d) of this Prospectus.

Completion is to occur two business days after the date on which the last of the conditions precedent is satisfied or waived.

10.3 Musgrave Integra Project – Tenement Sale Agreement

Integra (as seller), Mithril and the Company (as buyer) are parties to a Tenement Sale Agreement dated 25 October 2010 (as varied by Deed of Variation dated 21 February 2011) in respect of South Australian ELAs 297/97, 364/97, 380/97, 468/97 and 605/97 (Musgrave Integra Project Tenements).

The Agreement is conditional upon:

- any approvals or consents required under the Mining Act being obtained; and
- ASX granting the Company conditional approval (subject only to the imposition of conditions usual to such approvals) for its Shares to be listed for quotation on ASX, pursuant to this Prospectus.

If either of these conditions is not satisfied or waived by 30 April 2011 (or such later date as may be agreed) then the Agreement may be rescinded by either party.

The consideration of \$1,038,000 (GST exclusive) is payable by the Company by the issue to the seller or its nominee (or both) at completion of 3 million Shares and 1.5 million Options each with an exercise price of \$0.25 expiring 5 years after the date of grant and otherwise on the terms and conditions set out in Section 11.10(d) of this Prospectus.

Completion is to occur two business days after the date on which the last of the conditions precedent is satisfied or waived.

Whereas the Musgrave Integra Project Tenements are subject to a Farm-In and Joint Venture Heads of Agreement made between Integra and Mithril dated 18 January 2008, Integra and Mithril have agreed to terminate those Heads of Agreement on and from the completion date.

10.4 Musgrave Argonaut Project - Tenement Sale Agreement

Kelaray (as seller), Mithril and the Company (as buyer) are parties to a Tenement Sale Agreement dated 9 November 2010 in respect of South Australian ELAs 143/97, 144/97, 186/97 and 321/97 (**Musgrave Argonaut Project Tenements**).

The Agreement is conditional upon:

- any approvals or consents required under the Mining Act being obtained; and
- ASX granting the Company conditional approval (subject only to the imposition of conditions usual to such approvals) for its Shares to be listed for quotation on ASX, pursuant to this Prospectus.

If either of these conditions is not satisfied or waived by 30 April 2011 (or such later date as may be agreed) then the Agreement may be rescinded by either party.

The consideration of \$625,000 (GST exclusive) is payable by the Company by the issue to the seller or its nominee (or both) at completion of 2.5 million Shares.

Completion is to occur two business days after the date on which the last of the conditions precedent is satisfied or waived.

Whereas the Musgrave Argonaut Project Tenements are subject to a Heads of Agreement – Farm-In and Joint Venture made between Kelaray and Mithril dated 24 November 2005, Kelaray and Mithril have agreed to terminate those Heads of Agreement on and from the completion date.

10.5 Musgrave Barrick Project

(a) Tenement Sale Agreement

Barrick and Mithril, together with Delta Gold Exploration Pty Ltd (**Delta Exploration**) and Delta Gold Limited (**Delta Gold**) (as sellers) and the Company (as buyer) are parties to a Tenement Sale Agreement dated 20 August 2010 in respect of South Australian ELs 3939, 3940, 3941 and 3942 (**Musgrave Barrick Project Tenements**).

The Agreement is conditional upon:

- any approvals or consents required under the Mining Act being obtained;
- ASX granting the Company conditional approval (subject only to the imposition of conditions usual to such approvals) for its Shares to be listed for quotation on ASX, pursuant to this Prospectus; and
- Anangu Pitjantjatjara Yankunytjatjara (**APY**) consenting to the transfer of the Musgrave Barrick Project Tenements pursuant to a Deed of Exploration dated 26 July 2007 between APY, Mithril, Delta Exploration and Delta Gold (which consent is evidenced by Deed of Assignment, Assumption and Release made between Delta Exploration, APY and the Company, and by Deed of Assignment, Assumption and Release made between Delta Gold, APY and the Company, both dated 8 September 2010, as referred to in Section 10.5(b) of this Prospectus).

If any of these conditions is not satisfied or waived by 30 April 2011 (or such later date as may be agreed) then the Agreement may be rescinded by either party.

The consideration of \$1,500,000 (GST exclusive) is payable by the Company by the issue to the sellers or their nominee (or both) at completion of 6 million Shares.

Completion is to occur two business days after the date on which the last of the conditions precedent is satisfied or waived.

The Company also undertakes:

- to assume responsibility for ensuring compliance with the expenditure and other conditions of the Musgrave Barrick Project Tenements on and from the date of the Agreement (unless the Agreement is rescinded);
- to pay to Barrick a net smelter royalty of 1.5% in relation to mineral products extracted from the Musgrave Barrick Project Tenements; and
- to grant to the sellers and their related bodies corporate a non-exclusive, irrevocable and perpetual licence to use and reproduce the technical information relating to the Musgrave Barrick Project Tenements comprising part of the assets to be acquired by the Company at completion, subject to confidentiality restrictions.

Barrick and/or the sellers may apply for that number of Shares in the Offer such that Barrick and the sellers will hold 10% of the Shares listed on ASX, in which event the Company shall use reasonable endeavours to issue the Shares applied for.

Whereas the Musgrave Barrick Project Tenements are subject to the Musgrave Joint Venture Letter Agreement between Barrick and Mithril dated 22 March 2007 (as amended by Deed of Variation dated 22 April 2009), Barrick and Mithril have agreed to terminate that Letter Agreement on and from the completion date.

(b) Deeds of Exploration

By Deed of Assignment, Assumption and Release made between Delta Exploration, APY and the Company dated 8 September 2010, Delta Exploration has agreed to assign its rights under certain Deeds of Exploration entered into with APY and dated 14 January 2002 to the Company (which has agreed to assume the covenants of Delta Exploration thereunder), and APY has agreed to consent to the transfer of EL 3941 and 3942 to the Company, with effect from the date on which those tenements are transferred to the Company.

By Deed of Assignment, Assumption and Release made between Delta Gold, APY and the Company dated 8 September 2010, Delta Gold has agreed to assign its rights under a Deed of Exploration entered into with APY and dated 4 October 2000 to the Company (which has agreed to assume the covenants of Delta Gold thereunder),

and APY has agreed to consent to the transfer of EL 3939 and 3940 to the Company, with effect from the date on which those tenements are transferred to the Company.

By the assigned Deeds of Exploration APY has, on certain terms and conditions, authorised the conduct of exploratory operations on the Musgrave Barrick Project Tenements situated within the lands described in schedule 1 of the *Anangu Pitjantjatjara Yankunytjatjara Land Rights Act 1981* (SA) (**APY Lands**).

10.6 Musgrave IGO/Goldsearch Project

(a) Tenement Sale Agreement

Independence Group, Goldsearch and Miltonpak Pty Ltd (as sellers) and the Company (as buyer) are parties to a Tenement Sale Agreement dated 20 October 2010 in respect of South Australian ELs 3954 and 3955 and ELAs 340/96, 341/96, 342/96, 35/99, 534/96, 260/96, 262/96, 336/96, 337/96, 338/96 and 339/96 (**Musgrave IGO/Goldsearch Project Tenements**).

The Agreement is conditional upon:

- any approvals or consents required under the Mining Act being obtained;
- the sellers obtaining all required shareholder approvals under the Corporations Act and the Listing Rules (which shareholder approvals are not required); and
- ASX granting the Company conditional approval (subject only to the imposition of conditions usual to such approvals) for its Shares to be listed for quotation on ASX, pursuant to this Prospectus.

If any of these conditions is not satisfied or waived by 30 April 2011 (or such later date as may be agreed) then the Agreement may be rescinded by either party.

The consideration of \$2,595,000 (GST exclusive) is payable by the Company by the issue to:

- (i) Independence Group or its nominee (or both) at completion of 3,825,000 Shares and 1,912,500 Options each with an exercise price of \$0.25 expiring 5 years after the date of grant and otherwise on the terms and conditions set out in Section 11.10(d) of this Prospectus; and
- (ii) Goldsearch or its nominee (or both) at completion of 3,675,000 Shares and 1,837,500 Options each with an exercise price of \$0.25 expiring 5 years after the date of grant and otherwise on the terms and conditions set out in Section 11.10.(d) of this Prospectus.

Completion is to occur two business days after the date on which the last of the conditions precedent is satisfied or waived.

The sellers have agreed to terminate the Joint Venture Agreement made between the sellers, Caytale Pty Ltd and Chiljill Pty Ltd (both wholly owned subsidiaries of Goldsearch) dated 4 December 2003 (as varied by variation letter dated 15 February 2007) in respect of the Musgrave IGO/Goldsearch Project Tenements.

(b) Deeds of Exploration

By Deed of Assignment, Assumption and Release made between Independence Group, APY and the Company dated 8 September 2010, Independence Group has agreed to assign its rights under certain Deeds of Exploration made between Goldsearch and APY and dated 20 July 2007 (as assigned to Independence Group by Deed of Assignment and Assumption dated 25 May 2009) to the Company (which has agreed to assume the covenants of Independence Group thereunder), and APY has agreed to consent to the transfer of EL 3954 and 3955 to the Company, with effect from the date on which those tenements are transferred to the Company.

By the assigned Deeds of Exploration APY has, on certain terms and conditions, authorised the conduct of exploratory operations on EL 3954 and 3955 situated within the APY Lands.

10.7 Musgrave PMC/Zeil No 1 Project

(a) Musgrave Block Farm-In and Joint Venture Agreement

PMC, Zeil and Mithril are parties to the Musgrave Block Farm-In and Joint Venture Agreement dated 11 January 2005 (as referred to in Section 10.2 of this Prospectus) in respect of South Australian EL 4047 and ELAs 053/97, 054/97, 055/97, 056/97, 057/97, 058/97, 059/97, 060/97, 061/97, 062/97 and 063/97 (**Musgrave PMC/Zeil No 1 Project Tenements**), following the grant of which tenements PMC and Zeil are entitled to be the joint beneficial owners as tenants in common pursuant to the Pitjantjatjara Joint Venture established by agreement between them dated on or about 23 April 2001.

Mithril may earn a 51% interest in the Musgrave PMC/Zeil No 1 Project Tenements by:

- (i) issuing to each of PMC and Zeil on 9 May 2005, 125,000 shares and 250,000 unlisted options to acquire shares in Mithril, which shares and options have been issued;
- (ii) issuing to each of PMC and Zeil within 60 business days of the grant of the first of the Musgrave PMC/Zeil No 1 Project Tenements (EL 4047 was granted on 25 February 2008), 125,000 shares and 250,000 options (**Stage 1**), which shares and options have been issued; and
- (iii) during Stage 1 contributing to project expenditure the amount being the difference between \$3,000,000 and the sum of the number of shares referred to in paragraphs (i) and (ii) multiplied by the weighted average closing share price for Mithril as quoted on ASX on the date 20 business days prior to the date of the Agreement (**Reference Price**) and the number of options referred to in paragraph (ii) multiplied by 50% of the Reference Price.

In further consideration of PMC entering into the Agreement, Mithril agrees to pay to PMC the amount of certain debts due by PMC as at the date of the Agreement, the payment of which debts by PMC on or before 31 March 2005 is a condition precedent. This obligation has been met.

If Mithril earns a 51% interest it has the option to increase its interest to 75% by sole funding a further \$2,000,000 of expenditure in such manner as to meet the expenditure requirements imposed by the Mining Act in respect of the Musgrave PMC/Zeil No 1 Project Tenements (**Stage 2**).

Any party may withdraw from the joint venture on 30 days' notice to the other, provided that Mithril may not withdraw until it has spent at least \$500,000 during Stage 1 or unless on ground access has not been obtained to any Musgrave PMC/Zeil No 1 Project Tenement within five years from the commencement of the Agreement.

A management committee consisting of two representatives of Mithril and of PMC and Zeil jointly (and any person to whom a joint venture interest has been duly assigned) will be established after the first of the tenement applications has been granted to consider and approve programmes and budgets and to determine policies and make decisions affecting the management of the joint venture. Mithril will be the initial manager of the joint venture.

By Deed of Assignment and Assumption dated 15 February 2011 made between Mithril, the Company, PMC and Zeil, Mithril has agreed to assign to the Company all of its right, title and interest in and to the Musgrave Block Farm-In and Joint Venture Agreement (**Assigned Interest**).

The Deed is conditional upon ASX granting the Company conditional approval (subject only to the imposition of conditions usual to such approvals) for its Shares to be listed for quotation on ASX, pursuant to this Prospectus.

If this condition is not satisfied or waived by 30 April 2011 (or such later date as may be agreed) then the Deed may be rescinded by either party.

(b) Deed of Exploration

By Deed of Assignment, Assumption and Release made between Mithril, APY and the Company dated 8 September 2010, Mithril has agreed to assign its rights under a Deed of Exploration made with APY and dated 11 December 2007 to the Company (which has agreed to assume the covenants of Mithril thereunder), and APY has agreed to consent to the transfer of EL 4047 to the Company, with effect from the date on which the tenement is transferred to the Company.

By the assigned Deed of Exploration APY has, on certain terms and conditions, authorised the conduct of exploratory operations on EL 4047 situated within the APY Lands.

10.8 Employment Letter Agreement – Mr Robert Waugh

The Company and Mr Robert Waugh entered into an employment Letter Agreement on 9 February 2011.

By the Letter Agreement, the Company agrees to employ Mr Waugh as Managing Director of the Company for a period of three years commencing on 7 March 2011.

The Company will pay Mr Waugh an annual salary (inclusive of statutory superannuation payment) of \$290,000. Mr Waugh will receive an annual performance review around 1 July of each year.

Mr Waugh will be eligible to receive 2,500,000 Options each to acquire one Share in the Company at an exercise price of \$0.36 and an exercise period expiry date of 17 February 2016 and a further 2,500,000 Options each to acquire one Share in the Company at an exercise price of \$0.50 and an exercise period expiry date of 17 February 2016 (see Section 11.10(c) of this Prospectus for a summary of the terms and conditions of these Options).

The Company will reimburse travel and other expenses properly incurred by Mr Waugh in or about its business.

The Company may terminate Mr Waugh's employment summarily because of, among other things, serious or wilful misconduct, serious or persistent breach of the Agreement, failure to comply with reasonable directions of the Board or unreasonable action by Mr Waugh which reflects unfavourably on the Company or its related entities.

Either party may terminate the Letter Agreement on six months' notice to the other.

If Mr Waugh's employment is terminated by the Company within the three year term (other than for breach), the Company must pay out the remainder of the term, subject to obtaining shareholder approval. If that shareholder approval is not obtained, the Company must pay Mr Waugh the maximum amount calculated in accordance with section 200F of the Corporations Act which it may pay without shareholder approval.

10.9 Contract of Employment – Dr Justin Gum

The Company and Dr Justin Gum entered into a Contract of Employment on 24 January 2011.

By the Contract, the Company agrees to employ Dr Gum as Exploration Manager of the Company commencing on 1 October 2010.

The Company will pay Dr Gum an annual salary (inclusive of statutory superannuation payment) of \$140,000. Dr Gum will receive a performance and remuneration review during June of each year.

The Company may immediately terminate the Contract for any conduct by Dr Gum that would justify summary dismissal.

Either party may terminate the Contract on one month's notice to the other or payment of one month's salary (in the case of the Company) or forfeiture of one month's salary (in the case of Dr Gum).

10.10 Lead Manager Engagement Letter – Blackwood Capital Limited

The Company and Blackwood Capital Limited (**Blackwood**) entered into an Engagement Letter on 23 February 2011 by which Blackwood has agreed to act as Lead Manager to the Offer.

Blackwood will be responsible for raising up to \$10 million of the gross proceeds in the Public Offer on a best endeavours basis. The Company has agreed to pay Blackwood an amount equal to 6% of such gross proceeds raised by Blackwood.

In addition, if less than \$10 million is raised under the Priority Offer, Blackwood may raise up to that \$10 million on a best endeavours basis. The Company has agreed to pay Blackwood an amount equal to 4% of such gross proceeds raised by Blackwood.

The Company will pay Blackwood's reasonable out-of-pocket expenses.

11. Additional Information

11.1 Registration

The Company was registered as a public company on 26 May 2010.

11.2 Tax Status and Financial Year

The Company will be taxed in Australia as a public company at the prevailing corporate tax rate which is 30%. The financial year of the Company will end on 30 June annually.

11.3 Litigation

The Directors are not aware of any legal proceedings which have been threatened or actually commenced against the Company.

11.4 Rights Attaching To Shares

The Shares to be issued under this Prospectus will rank equally with the issued fully paid ordinary shares in the Company. The rights attaching to Shares are set out in the Company's Constitution and, in certain circumstances, are regulated by the Corporations Act, the Listing Rules and general law. The Constitution of the Company may be inspected during normal business hours at the registered office of the Company.

The following is a summary of the more significant rights of the holders of ordinary shares of the Company. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's members. The summary assumes that the Company is admitted to the Official List of ASX.

a) General Meeting

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Company's Constitution, the Corporations Act or the Listing Rules.

b) Voting

Subject to any rights or restrictions for the time being attached to any class or classes of shares whether by the terms of their issue, the Constitution, the Corporations Act or the Listing Rules, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by a representative has one vote on a show of hands and every such holder present in person or by a representative, proxy or attorney has one vote per share on a poll. A person who holds an ordinary share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share. A member is not entitled to vote unless all calls and other sums presently payable by the member, in respect of shares in the Company, have been paid. Where there are two or more joint holders of the share and more than one of them is present at a meeting and tenders a vote in respect of the share (whether in person or by proxy or attorney), the Company will count only the vote cast by the member whose name appears before the other(s) in the Company's register of members. No shares may be issued with voting rights more advantageous than those available to any previously issued shares.

c) Issues of Further Shares

The Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Company's Constitution, the Listing Rules, the Corporations Law and any rights for the time being attached to the shares in special classes of shares.

d) Variation of Rights

At present, the Company has on issue one class of shares only, namely ordinary shares. The rights attached to the shares in any class may be altered only by special resolution passed at a separate meeting of the holders of the issued shares of the affected class, of the company and by special resolution or with the written consent of the holders of at least three quarters of the issued shares of the affected class.

e) Transfer of Shares

Subject to the Company's Constitution, the Corporations Act and the Listing Rules, ordinary shares are freely transferable.

The shares may be transferred by a proper transfer effected in accordance with ASTC Settlement Rules, by any other method of transferring or dealing introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by the Directors that is permitted by the Corporations Act. The Company may decline to register a transfer of shares in the circumstances described in the Company's Constitution and where permitted to do so under the Listing Rules. If the Company declines to register a transfer, the Company must, within five business days after the transfer is lodged with the Company, give the lodging party written notice of the refusal and the reasons for refusal. The Directors must decline to register a transfer of shares when required by law, by the Listing Rules or by the ASTC Settlement Rules.

f) Partly Paid Shares

The Directors may, subject to compliance with the Company's Constitution, the Corporations Law and the Listing Rules, issue partly paid shares upon which amounts are or may become payable at a future time(s) in satisfaction of all or part of the unpaid issue price.

g) Dividends

The Company in general meeting may declare a dividend if the Directors have recommended a dividend, and a dividend shall not exceed the amount recommended by the Directors. The Directors may authorise the payment to the members of such interim dividends as appear to the Directors to be justified by the Company's profits and for that purpose may declare such interim dividends.

Subject to the rights of members entitled to shares with special rights as to dividend (if any), all dividends in respect of shares (including ordinary shares) are to be declared and paid to those persons entitled to those dividends in proportions to the shares held by them respectively and in respect of partly paid shares are apportioned and paid proportionally to the amount paid on the shares.

h) Winding Up

Subject to the rights of holders of shares with special rights in a winding up, if the Company is wound up, members (including holders of ordinary shares) will be entitled to participate in any surplus assets of the Company in proportion to the shares held by them respectively, irrespective of the amount paid up or credited as paid up on the shares.

i) Dividend Plans

The Directors or the Members of the Company, in general meeting, may authorise the Directors to establish and maintain dividend plans under which (among other things) a member may elect that dividends payable by the Company be reinvested by way of subscription for shares in the Company or a member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive shares instead of other entitlement, including the issue of shares.

j) Directors

The Company's Constitution states that the minimum number of directors is three.

k) Powers of the Board

The Directors have power to manage the business of the Company and may exercise that power to the exclusion of the members, except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Company's Constitution.

11.5 Directors Interests

Except as disclosed in this Prospectus, no Director or proposed Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of the Shares; or
- the Offer of the Shares.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or given or agreed to be paid or given to any Director or proposed Director or to any company or firm with which a Director is associated, to induce him or her to become, or to qualify as, a Director or Proposed Director, or otherwise for services rendered by him or her or any company or firm with which the Director or Proposed Director is associated in connection with the formation or promotion of the Company or the Offer of the Shares.

a) Remuneration of Directors

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the non-executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the non-executive Directors has been fixed at a maximum of \$250,000 per annum (allowing for the appointment of future Directors) to be apportioned among the non-executive Directors in such manner as they determine. Mr Ascough will receive Director's fees of \$60,000 per annum (exclusive of GST) and Mr Percival and Ms Ross will each receive Director's fees of \$45,000 per annum (exclusive of GST).

The Company has entered into an employment Letter Agreement with Mr Robert Waugh, by which Mr Waugh has agreed to act as the Company's Managing Director from 7 March 2011. A summary of this Letter Agreement, including the remuneration payable to Mr Waugh, is contained in Section 10.8 of this Prospectus.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

b) Directors' Interests in Company's Securities

The direct and indirect interests of the Directors, and of Mr Robert Waugh as incoming Managing Director, in the securities of the Company as at the date of this Prospectus are as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Graham Ascough	Nil	Nil	Nil	750,000
Kelly Ross	Nil	Nil	Nil	500,000
John Percival	Nil	Nil	Nil	500,000
Robert Waugh	Nil	Nil	Nil	5,000,000

Further information on the terms and conditions of these Options is set out in Section 11.10 of this Prospectus.

c) Indemnity, Insurance and Access

The Company has entered into a Deed of Indemnity, Insurance and Access with each of the Directors, and will enter into a similar Deed with Mr Robert Waugh upon his appointment as Managing Director of the Company. Details of the Deeds of Indemnity, Insurance and Access are set out in Section 10.1 of this Prospectus.

d) Insurance

The Company has effected, and intends to maintain, Directors' and Officers' Liability and Company Reimbursement insurance.

11.6 Interests of Named Persons

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of the Shares; or
- the Offer of the Shares.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or given or agreed to be paid or given to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Offer under this Prospectus.

Grant Thornton Audit Pty Ltd has acted as investigating accountants in relation to the Offer. As investigating accountants, Grant Thornton Audit Pty Ltd has prepared the Investigating Accountants' Report which has been included in this Prospectus. In respect of this work the Company has agreed to pay Grant Thornton Audit Pty Ltd a total of \$8,000 (exclusive of GST) for these services. Grant Thornton Audit Pty Ltd is the auditors to the Company, and has undertaken the audit and review of the Company's financial statements for the year ended 30 June 2010 and the half-year ended 31 December 2010 in respect of which the Company has paid it \$3,750 (exclusive of GST).

O'Loughlins Lawyers have acted as the solicitors to the Company in relation to the Offer and have prepared the Solicitors' Report on Tenements which has been included in this Prospectus, and in that capacity and otherwise assisting the Company with the preparation of this Prospectus, O'Loughlins Lawyers have been involved in undertaking certain due diligence enquiries in relation to legal matters and providing legal advice to the Company in relation to the Offer. In respect of this work, the Company has agreed to pay O'Loughlins Lawyers \$70,000 (exclusive of GST) for these services up to the date of this Prospectus. O'Loughlins Lawyers have or may receive professional fees at their normal rates for other legal work for the Company. O'Loughlins Lawyers have been paid \$11,910 (exclusive of GST) for professional fees from the Company during the past 24 months.

AMC Consultants Pty Ltd will receive professional fees of \$37,000 (exclusive of GST) for the provision of the Independent Technical Specialist's Report which has been included in this Prospectus.

Computershare Investor Services Pty Ltd has agreed to provide share registry services to the Company in accordance with a detailed schedule of fees listed in its 'Proposal to Musgrave Minerals Limited for Share Registry Services' dated 11 February 2011.

Blackwood Capital Limited has agreed to act as Lead Manager to the offer pursuant to the Engagement Letter which, including the fees payable to Blackwood Capital Limited, is described in Section 10.10 of this Prospectus.

11.7 Expenses of the Offer

The estimated expenses connected with the Offer which are payable by the Company based on the minimum subscription of \$10 million are as follows:

Investigating Accountants' Report	\$ 8,000
Legal Expenses	\$ 70,000
Independent Technical Specialist's Report	\$ 37,000
Broker fees	\$412,000
Printing, posting, Share Registry and other miscellaneous Offer costs	\$171,100
ASX listing fees	\$ 51,900
Total (exclusive of GST)	\$750,000

If the full subscription is raised with no oversubscriptions, the estimated expenses of the Offer will be \$1,050,000 (exclusive of GST).

If the full subscription is raised with the maximum oversubscriptions, the estimated expenses of the Offer will be \$1,250,000 (exclusive of GST).

11.8 Consents

Each of the parties referred to in this Section 11.8:

- a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in this Prospectus is based, other than as specified in this Section 11.8; and
- b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 11.8.

Grant Thornton Audit Pty Ltd has given its written consent to the inclusion in Section 7 of this Prospectus of its Investigating Accountants' Report and to all statements referring to that report in the form and context in which they appear and have not withdrawn such consent before lodgment of this Prospectus with ASIC.

O'Loughlins Lawyers have given their written consent to the inclusion in Section 9 of their Solicitor's Report on Tenements and to all statements referring to that report in the form and context in which they appear and have not withdrawn such consent before lodgment of this Prospectus with ASIC.

AMC Consultants Pty Ltd has given its written consent to the inclusion in Section 6 of this Prospectus of its Independent Technical Specialist's Report and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgment of this Prospectus with ASIC.

Computershare Investor Services Pty Ltd (**Computershare**) has given and, as at the date hereof, has not withdrawn its written consent to be named as Share Registrar in the form and context in which it is named. Computershare has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registrar to the Company. Computershare has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

Furthermore, each of the following has consented in writing to being named in this Prospectus in the capacity as noted below and has not withdrawn such consent prior to the lodgment of this Prospectus with ASIC:

- Grant Thornton Audit Pty Ltd as Auditors and Investigating Accountants;
- O'Loughlins Lawyers as Solicitors to the Company;
- AMC Consultants Pty Ltd as Independent Technical Specialist; and
- Blackwood Capital Limited as Lead Manager.

Copies of the consents to the issue of this Prospectus are available for inspection, without charge, at the registered office of the Company.

There are a number of other persons referred to in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in this Prospectus and did not authorise or cause the issue of this Prospectus.

11.9 Details of the Existing Shareholders

The Shareholders in the Company prior to this Offer are as follows:

Shareholder	No of Shares	% Issued Capital
Independence Group NL	5,202,000	30.60
Goldsearch Limited	4,998,000	29.40
Integra Mining Limited	2,516,129	14.80
Mithril Resources Investments Pty Ltd	4,283,871	25.20
Total	17,000,000	100

11.10 Options

(a) Optionholders

The following Options have been granted prior to the date of this Prospectus:

Optionholder	Number of Options	Exercise Price	Expiry Date
Graham Ascough	750,000	\$0.36	17 February 2016
John Percival	500,000	\$0.36	17 February 2016
Kelly Ross	500,000	\$0.36	17 February 2016
Donald Stephens	500,000	\$0.36	17 February 2016
Robert Waugh	2,500,000	\$0.36	17 February 2016
	2,500,000	\$0.50	17 February 2016
Total	7,250,000		

(b) Current Directors' Options

The Options granted to Mr Ascough, Mr Percival and Ms Ross have been granted on the following terms and conditions:

The Options held by the Optionholder are exercisable in whole or in part on or before 17 February 2016 (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.

Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$0.36 per Option in cleared funds. Some or all of the Options may be exercised at any one time or times prior to the expiry of the Exercise Period provided that no less than 10,000 Options are exercised at any one time.

The Company will not apply for official quotation on ASX of the Options.

The Company will apply for official quotation on ASX of new Shares allotted on exercise of the Options. Those shares will participate equally in all respects with existing issued ordinary Shares, and in particular new Shares allotted on exercise of the Options will qualify for dividends declared after the date of their allotment.

Options are not transferable, except that if at any time before expiry of the Exercise Period the Optionholder dies, the legal personal representative of the deceased Optionholder may:

- elect to be registered as the new holder of the Options,
- whether or not he or she becomes so registered, exercise those Options in accordance with the terms and conditions on which they were granted, and
- if the deceased has already exercised Options, pay the exercise price in respect of those Options.

An Optionholder may only participate in new issues of securities to holders of ordinary Shares in the Company if the Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue.

If there is a bonus issue to the holders of ordinary Shares in the capital of the Company, the number of ordinary Shares over which the Option is exercisable will be increased by the number of ordinary Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

If the Company makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to the following formula:

$$A = \frac{O - E [P - (S + D)]}{(N + 1)}$$

Where:

A = the new exercise price of the Option;

O = the old exercise price of the Option;

E = the number of underlying ordinary Shares into which one Option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

If, during the currency of the Options the issued capital of the Company is reorganised, those Options will be reorganised to the extent necessary to comply with the Listing Rules.

(c) Incoming Managing Director's Options

The Options granted to Mr Waugh have been granted on the following terms and conditions:

The Options held by the Optionholder are exercisable in whole or in part on or before 17 February 2016 (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.

2,500,000 Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$0.36 per Option in cleared funds.

2,500,000 Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$0.50 per Option in cleared funds.

Some or all of the Options may be exercised at any one time or times prior to the expiry of the Exercise Period provided that no less than 10,000 Options are exercised at any one time.

The Company will not apply for official quotation on ASX of the Options.

The Company will apply for official quotation on ASX of new shares allotted on exercise of the Options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the Options will qualify for dividends declared after the date of their allotment.

Options are not transferable, except that if at any time before expiry of the Exercise Period the Optionholder dies, the legal personal representative of the deceased Optionholder may:

- elect to be registered as the new holder of the Options,
- whether or not he or she becomes so registered, exercise those Options in accordance with the terms and conditions on which they were granted, and
- if the deceased has already exercised Options, pay the exercise price in respect of those Options.

An Optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the Option has been exercised and shares allotted in respect of the Option before the record date for determining entitlements to the issue.

If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

If the Company makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to the following formula:

$$A = \frac{O - E [P - (S + D)]}{(N + 1)}$$

Where:

A = the new exercise price of the Option;

O = the old exercise price of the Option;

E = the number of underlying ordinary shares into which one Option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

If, during the currency of the Options the issued capital of the Company is reorganised, those Options will be reorganised to the extent necessary to comply with the Listing Rules.

If the Optionholder's employment is terminated within 12 months after its commencement date by the Optionholder pursuant to paragraph 19.2 of the employment Letter Agreement dated 9 February 2011 between the Optionholder and the Company or by the Company pursuant to paragraph 20 of the said Letter Agreement, the Board of Directors may (in its absolute discretion) by notice to Optionholder (or the Optionholder's nominee) cancel for no consideration all Options held by the Optionholder (or the Optionholder's nominee) which have not then been exercised. If required by the Company, the Optionholder will execute, or cause the Optionholder's nominee to execute, any documents which the Company considers necessary to cancel the Options. For the

avoidance of doubt, this paragraph does not apply if the Optionholder's employment is terminated as a result of a merger or takeover of the Company or by the Optionholder pursuant to paragraph 19.3 of the said Letter Agreement.

(d) Tenement Vendor Options

The Company will prior to Quotation grant 7,750,000 Options pursuant to the agreements referred to in Sections 10.2, 10.3 and 10.6 of this Prospectus on the following terms and conditions:

The Options held by the Optionholder are exercisable in whole or in part at any time during the period of five years after the date of grant (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.

Options are exercisable by notice in writing to the Board delivered to the registered office of the Buyer and payment of the exercise price of \$0.25 per Option in cleared funds.

The Buyer will not apply for official quotation on ASX of the Options. The Buyer will make application for official quotation on ASX of new shares allotted on exercise of the Options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the Options will qualify for dividends declared after the date of their allotment.

Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the Optionholder dies, the legal personal representative of the deceased Optionholder may:

- elect to be registered as the new holder of the Options;
- whether or not he becomes so registered, exercise those Options in accordance with the terms and conditions on which they were granted; and
- if the deceased has already exercised Options, pay the exercise price in respect of those Options.

An Optionholder may only participate in new issues of securities to holders of ordinary shares in the Buyer if the Option has been exercised and shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Buyer must give prior notice to the Optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

If there is a bonus issue to the holders of ordinary shares in the capital of the Buyer, the number of ordinary shares over which the Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.



If the Buyer makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to the following formula:

$$A = \frac{O - E [P - (S + D)]}{(N + 1)}$$

Where:

A = the new exercise price of the Option;

O = the old exercise price of the Option;

E = the number of underlying ordinary Shares into which one Option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

If, during the currency of the Options the issued capital of the Company is reorganised, those Options will be reorganised to the extent necessary to comply with the Listing Rules.

11.11 Employee Share Option Plan

The Company has established the Musgrave Minerals Limited Employee Share Option Plan (**Plan**) to assist in the attraction, retention and motivation of employees of the Company and its related bodies corporate (**Group**). No Options have been granted under the Plan as at the date of this Prospectus. A summary of the Rules of the Plan is set out below.

All employees (full and part-time) will be eligible to participate in the Plan after a qualifying period of 12 months' employment by a member of the Group, although the Board may waive this requirement.

The allocation of Options to each employee is in the discretion of the Board.

If permitted by the Board, Options may be issued to an employee's nominee (for example, a spouse or family company).

Each Option is to subscribe for one fully paid ordinary share in the Company and will expire five years from its date of issue. An Option is exercisable at any time from its date of issue.

Options will be issued free. The exercise price of Options will be determined by the Board, subject to a minimum price equal to the market value of the Company's shares at the time the Board resolves to offer those Options. The total number of shares the subject of Options issued under the Plan, when aggregated with issues during the previous five years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.

If, prior to the expiry date of Options, a person ceases to be an employee of a Group company for any reason other than retirement at age 60 or more (or such earlier age as the Board permits), permanent disability, redundancy or death, the Options held by that person (or that person's nominee) must be exercised within one month thereafter otherwise they will automatically lapse. If a person dies, the Options held by that person will be exercisable by that person's legal personal representative.

Options cannot be transferred other than to the legal personal representative of a deceased Optionholder.

The Company will not apply for official quotation of any Options.

Shares issued as a result of the exercise of Options will rank equally with the Company's previously issued shares.

Optionholders may only participate in new issues of securities by first exercising their Options.

If there is a bonus share issue to the holders of shares, the number of shares over which an Option is exercisable will be increased by the number of shares which the Optionholder would have received if the Option had been exercised before the record date for the bonus issue.

If there is a pro rata issue (other than a bonus share issued) to the holders of shares, the exercise price of an Option will be reduced to take account of the effect of the pro rata issue in accordance with the formula in Section 11.10(b) of this Prospectus.

If there is a reorganisation of the issued capital of the Company, unexercised Options will be reorganised in accordance with the Listing Rules.

The Board may amend the Plan Rules subject to the requirements of the Listing Rules.

11.12 Electronic Prospectus

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus on the basis of a paper prospectus lodged with ASIC and the issue of securities in response to an electronic application form subject to compliance with certain provisions.

If you have received this Prospectus as an electronic prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company at info@musgraveminerals.com.au and the Company will send to you, for free, either a hard copy or a further electronic copy of this Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with this Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such case, the Application Monies received will be dealt with in accordance with section 722 of the Corporations Act.

11.13 Definitions

In this Prospectus, unless the context otherwise requires:

A\$ and **\$** means Australian dollars, unless otherwise stated.

Applicant means a person who submits an Application.

Application means a valid application to subscribe for Shares.

Application Form means the Priority Application Form or the Public Application Form contained in this Prospectus or a copy of an Application Form contained in this Prospectus or a direct derivative of an Application Form which is contained in this Prospectus.

Application Monies means \$0.25 being the amount payable in respect of each Share under the Offer.

ASIC or **Commission** means Australian Securities and Investments Commission.

ASTC means ASX Settlement Corporation Pty Ltd ACN 008 504 532.

ASTC Settlement Rules means the operating rules of the ASTC and, to the extent that they are applicable, the operating rules of ASX and the operating rules of Australian Clearing House Pty Ltd ACN 008 610 660.

ASX means ASX Limited ACN 008 624 691.

Board of Directors and **Board** means Board of Directors of the Company unless the context indicates otherwise.

Business Day means a day on which the trading banks are open in Adelaide, South Australia.

CHES means ASX Clearing House Electronic Subregistry System.

Closing Date means the date on which the Offer closes.

Company means Musgrave Minerals.

Completion of the Offer means the allotment of all the Shares offered under this Prospectus.

Corporations Act means the Corporations Act 2001 of Australia.

CST means Central Standard Time as applicable in Adelaide, South Australia and references to time in this Prospectus are references to CST.

Department and **PIRSA** means the Department of Primary Industries and Resources of South Australia.

Directors means directors of the Company unless the context indicates otherwise.

EL and **Exploration Licence** means an area granted under the Mining Act in respect to mineral exploration.

ELA and **Application for Exploration Licence** means an Exploration Licence application.

Goldsearch means Goldsearch Limited ACN 006 645 754.

Goldsearch Shareholder means a shareholder in Goldsearch.

Independence Group means Independence Group NL ACN 092 786 304.

Independence Group Shareholder means a shareholder in Independence Group.

Integra means Integra Mining Limited ACN 093 278 436.

Integra Shareholder means a shareholder in Integra.

IPO means the initial public offering of Shares pursuant to this Prospectus.

Issue means the issue of Shares pursuant to this Prospectus.

Issue Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHES.

Listing Date means the date the Company is admitted to the Official List.

Listing Rules means listing rules of ASX.

Mining Act means the Mining Act 1971 of South Australia.

Mithril means Mithril Resources Limited ACN 099 883 922.

Mithril Shareholder means a shareholder in Mithril.

Musgrave Minerals means Musgrave Minerals Limited ACN 143 890 671.

Offer means the invitation to apply for Shares pursuant to this Prospectus.

Offer Period means the period commencing on the Opening Date and ending on the Priority Offer Closing Date in respect of the Priority Offer and the Closing Date in respect of the Public Offer.

Official List means the Official List of ASX.

Opening Date means 8 March 2011.

Optionholder means a holder of an Option.

Option means an option to acquire a share.

Participant means a participant for the purpose of CHES.

PIRSA means the Department of Primary Industries and Resources of South Australia.

Priority Application Form means the priority application form attached to and forming part of this Prospectus.

Priority Offer means the priority offer made to Mithril Shareholders, Independence Group Shareholders, Goldsearch Shareholders and Integra Shareholders on the terms set out in Section 1.5 of this Prospectus.

Priority Offer Closing Date means the date on which the Priority Offer closes.

Prospectus means this replacement prospectus dated 8 March 2011.

Public Application Form means the public application form attached to and forming part of this Prospectus.

Public Offer means the offer to the public on the terms set out in Section 1.6 of this Prospectus.

Quotation means quotation of the Shares on the Official List.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Subsidiary means the same as that term is defined under section 9 of the Corporations Act.

Tenement means an Exploration Licence or any other form of mineral licence or title held or applied for by the Company or in which the Company has an interest.

11.14 Directors' Consent

The Directors state that they have made all reasonable enquiries, and on that basis have reasonable grounds to believe, that any statements by the Directors in this Prospectus are not misleading or deceptive, and that with respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis, have reasonable grounds to believe that persons making those other statements were competent to make such statements, those persons having given their consent to the issue of this Prospectus and not withdrawn that consent before lodgment of this Prospectus with ASIC. This Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each of the current and proposed Directors has consented in writing to the lodgment of this Prospectus with ASIC and has not withdrawn that consent.

Dated: 8 March 2011

Signed for and on behalf of the Company



Robert Waugh
Managing Director



Registry Use Only

Musgrave Minerals Limited

ACN 143 890 671

Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the prospectus.

Broker Code

Adviser Code

A I/we apply for

@ \$0.25

B I/we lodge full Application Money

A\$

Number of Shares subscribed in Musgrave Minerals Limited at A\$0.25 per Share or such lesser number of Shares as which may be allocated to me/us.

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name

Given Name(s)

Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter your postal address - Include State and Postcode

Unit

Street Number

Street Name or PO Box /Other Information

City / Suburb / Town

State

Postcode

E Enter your contact details

Contact Name

Telephone Number - Business Hours / After Hours

F CHES Participant

Holder Identification Number (HIN)

Please note that if you supply a CHES HIN but the name and address details on your form do not correspond exactly with the registration details held at CHES, your application will be deemed to be made without the CHES HIN, and any securities issued as a result of the IPO will be held on the Issuer Sponsored subregister.

Payment details – Please note that funds are unable to be directly debited from your bank account**G** Drawer

Cheque Number

BSB Number

Account Number

Amount of cheque

Make your cheque or bank draft payable to Musgrave Minerals Limited Float Account

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.

ASXAAASXAAA

IPO

See back of form for completion guidelines

SAMP_PAYMENT_000000/000001/000001/i



How to complete this form

A Shares Applied for

Enter the number of Shares you wish to apply for. The application must be for a minimum of 8,000 Shares (A\$2,000.00) and thereafter in multiples of 1,000 Shares (A\$250.00).

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by A\$0.25 per Share applied for.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D In the CHESS system

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHESS

Musgrave Minerals Limited (the Company) will apply to the ASX to participate in CHESS, operated by ASX Settlement Pty Ltd, a wholly owned subsidiary of Australian Securities Exchange Limited. In CHESS, the company will operate an electronic CHESS Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of Shares. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares allotted to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

Payment

Make your cheque or bank draft payable to Musgrave Minerals Limited Float Account in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B. **Please note that funds are unable to be directly debited from your bank account.**

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form the applicant(s) should read this prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Shares in Musgrave Minerals Limited is upon and subject to the terms of the prospectus and the Constitution of Musgrave Minerals Limited and agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received by Computershare Investor Services Pty Limited Adelaide by no later than 5.00pm Adelaide time on **8 April 2011**. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited
GPO Box 1903
ADELAIDE SA 5001
AUSTRALIA

Neither CIS nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au

If you have any enquiries concerning your application, please contact Computershare Investor Services Pty Limited on 1300 136 848.

Correct forms of registrable title(s)

Note that **ONLY** legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the following.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund



**Registered Office**

c/- HLB Mann Judd (SA) Pty Ltd
82 Fullarton Road
NORWOOD SA 5067

Telephone: (08) 8130 2000

Facsimile: (08) 8363 1980

Website: www.musgraveminerals.com.au

Email: info@musgraveminerals.com.au

Principal Office

60 King William Road
GOODWOOD SA 5034

Telephone: (08) 8378 8200

Facsimile: (08) 8271 0037

This is a Replacement Prospectus dated 8 March 2011.
It replaces a Prospectus lodged with ASIC dated
28 February 2011 relating to shares of Musgrave Minerals Ltd.

