Musgrove Minerals Corp.

Consolidated Financial Statements

November 30, 2011

(expressed in Canadian dollars)

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Musgrove Minerals Corp.

We have audited the accompanying consolidated financial statements of Musgrove Minerals Corp. which comprises of the consolidated balance sheet as at November 30, 2011, and the consolidated statements of operations, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Musgrove Minerals Corp. as at November 30, 2011 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements, which describe certain conditions that give rise to substantial doubt about the entity's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not qualified in respect of this matter.

Other matters

The consolidated financial statements of Musgrove Minerals Corp. for the year ended November 30, 2010, were audited by another auditor who expressed an unqualified opinion on those statements on March 29, 2011.

/s/ DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
March 27, 2012

MUSGROVE MINERALS CORP.
Consolidated Balance Sheets

ASSETS	November 30, 2011 $	November 30, 2010 $
CURRENT		
Cash	21,989	2,418
Mineral property payment receivable (Note 5)	125,000	-
Other receivable	47,158	79,880
Prepaid expenses	10,846	21,362
	204,993	103,660
Equipment (Note 4)	10,748	11,330
Mineral properties (Note 5)	4,320,934	3,381,598
Mineral property payment receivable (Note 5)	162,600	-
Reclamation bond (Note 5)	6,818	6,818
	4,706,093	3,503,406
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	800,898	585,059
Due to related parties (Note 8)	15,000	358,815
Short-term loans (Note 6)	282,253	1,207,575
	1,098,151	2,151,449
Deferred gain on contribution to joint venture (Note 5)	-	164,750
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	15,463,259	13,210,762
Contributed surplus	4,747,263	2,966,646
Deficit	(16,602,580)	(14,990,201)
	3,607,942	1,187,207
	4,706,093	3,503,406

Going concern (Note 1)
Commitments (Note 10)
Subsequent events (Notes 5 and 14)

Approved by the Directors:

"Thomas Tough"	***"Rana Vig"***
Thomas Tough, Director	Rana Vig, Director

The accompanying notes are an integral part of these consolidated financial statements.

MUSGROVE MINERALS CORP.

Consolidated Statements of Operations

EXPENSES	Year ended November 30, 2011 $	Year ended November 30, 2010 $
Accounting and audit	58,823	93,904
Amortization	4,272	47,701
Bad debts	-	166,379
Consulting fees (Note 8)	395,732	180,929
Filing and transfer agent fees	61,492	24,907
Interest (Note 6)	42,454	343,454
Investor relations	165,555	149,051
Legal	72,913	53,040
Management fees (Notes 8)	97,179	91,500
Exploration	17,634	1,375
Office	136,866	170,379
Rent (Note 8)	82,665	32,200
Stock-based compensation (Note 7)	450,349	-
Travel	67,233	9,392
LOSS BEFORE OTHER ITEMS	(1,653,167)	(1,364,211)
Administrative fee income (Note 8)	93,306	120,000
Amortized gain on contribution to joint venture (Note 5)	164,750	4,584
Foreign exchange loss	(23,328)	(7,265)
Financing fee (Note 6)	(99,915)	-
Gain on sale of assets	-	24,653
Gain on debt settlement (Note 9)	98,817	-
Loss on sale of subsidiary (Note 3)	-	(772,176)
Loss on sale of joint venture (Note 5)	(192,842)	-
NET AND COMPREHENSIVE LOSS	(1,612,379)	(1,994,415)
BASIC AND DILUTED LOSS PER SHARE	(0.05)	(0.15)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND OUTSTANDING	33,306,894	13,148,900

The accompanying notes are an integral part of these consolidated financial statements.

MUSGROVE MINERALS CORP.

Consolidated Statements of Cash Flows

	Year ended November 30, 2011 $	Year ended November 30, 2010 $
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	(1,612,379)	(1,994,415)
Non-Cash Items		
Accrued interest and financing fees on notes payable	33,963	-
Amortization	4,272	47,701
Amortized gain on contribution to joint venture	(164,750)	(4,584)
Bad debts	-	166,379
Gain on the sale of equipment	-	(24,653)
Gain on debt settlement	(98,817)	-
Loss on the sale of a subsidiary	-	772,176
Loss on sale of joint venture	192,842	-
Stock-based compensation	450,349	-
	(1,194,520)	(1,037,396)
Change in non-cash working capital accounts		
Other receivable	32,722	(79,813)
Prepaid expenses	10,516	13,665
Due from joint venture partner	-	(17,993)
Accounts payable and accrued liabilities	652,156	(51,440)
Due to related parties	(343,815)	-
	(842,941)	(1,172,977)
FINANCING ACTIVITIES		
Net proceeds from issuance of common shares	3,225,265	2,043,696
Short-term loans	(939,285)	(125,448)
Due to related parties	-	141,507
	2,285,980	2,059,755
INVESTING ACTIVITIES		
Acquisition of equipment	(3,690)	-
Mineral properties	(1,419,778)	(1,035,394)
Proceeds on sale of equipment	-	125,000
Net proceeds from sale of subsidiary	-	24,902
	(1,423,468)	(885,492)
Increase in cash	19,571	1,286
Cash, Beginning	2,418	1,132
Cash, Ending	21,989	2,418
Cash paid for:		
Interest	117,633	277,647
Income tax	-	-
Non cash transactions:		
Shares issued for debt	357,500	-
Shares issued for finders’ fees	-	50,100

The accompanying notes are an integral part of these consolidated financial statements.

MUSGROVE MINERALS CORP.

Consolidated Statements of Changes in Equity

For the Years Ended November 30, 2011 and 2010

	Number of Common Shares	Share Capital $	Share Subscription Advances $	Contributed Surplus $	Deficit $	Total Shareholders' Equity $
Balance, November 30, 2009	9,242,345	11,924,219	134,010	2,075,483	(12,995,786)	1,137,926
Shares issued						
For cash						
Private placement (Note 7)	3,333,375	783,452	(134,010)	549,898	-	1,199,340
Private placement (Note 7)	1,436,667	440,245	-	249,355	-	689,600
Exercise of warrants (Note 7)	474,869	364,914	-	(60,998)	-	303,916
For Finders' fee	104,375	50,100	-	-	-	50,100
Share issuance costs (Notes 7)	-	(352,168)	-	152,908	-	(199,260)
Net Loss	-	-	-	-	(1,994,415)	(1,994,415)
Balance, November 30, 2010	14,591,631	13,210,762	-	2,966,646	(14,990,201)	1,187,207
Shares issued						
For cash						
Private placement (Note 7)	17,992,332	1,935,929	-	762,920	-	2,698,849
Private placement (Note 7)	7,999,999	856,549	-	343,451	-	1,200,000
Share issuance costs (Note 7)	-	(539,981)	-	223,897	-	(316,084)
Stock based compensation	-	-	-	450,349	-	450,349
Net loss	-	-	-	-	(1,612,379)	(1,612,379)
Balance November 30, 2011	40,583,962	15,463,259	-	4,747,263	(16,602,580)	3,607,942

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – NATURE OF OPERATIONS

Musgrove Minerals Corp. (the "Company") was incorporated under the laws of British Columbia, Canada on March 29, 2000 under the name Access West Capital Corporation. On November 04, 2005, the Company changed its name to Journey Resources Corp, and on December 17, 2010 to Musgrove Minerals Corp.

The Company is in the business of the acquisition, exploration and development of mineral properties in Mexico and the USA and its shares trade on the TSX Venture Exchange (the "Exchange") under the symbol MGS.

Going Concern
These financial statements have been prepared using Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its asset and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at November 30, 2011, the Company had not advanced its mineral properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its exploration activities on its mineral properties and its ability to attain profitable operations and generate funds there from and/or raise equity capital to meet current and future obligations. Management intends to finance operating costs over the next twelve months with the private placement of common shares and bridge financing.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
These financial statements have been prepared in accordance with Canadian GAAP and are presented in Canadian dollars.

Basis of Consolidation
The consolidated financial statements include the accounts of the Company, its wholly-owned Mexican subsidiary, Minerales Jazz S.A. de C.V. ("Minerales Jazz"), its wholly owned USA subdiary, Mugrove Minerals Corp. and two wholly-owned inactive subsidiaries: Journey Unlimited Equipment Inc. (Canada) and Journey Unlimited Equipment Inc. (USA). The Company disposed of its wholly-owned Peruvian subsidiary, Minera Journey Resources Peru S.A.C., on July 28, 2010 (Note 3), and accordingly, these consolidated financial statements only include the accounts of that subsidiary in the balance sheet comparatives up to the date of disposal. All inter-company transactions and balances have been eliminated on consolidation.

The Company's 50% interest in the Vianey Property joint venture, which is subject to joint control, is consolidated on a proportionate basis, whereby the Company includes in these consolidated financial statements its proportionate share of the assets, liabilities, and expenses of the joint venture. As at November 30, 2011, the Company included its 50% share of the capitalized mineral property costs of the joint venture in the consolidated financial statements.

Equipment

Equipment is recorded at cost and amortized at the following rates, except in the year of acquisition, when one half of the rates are used:

Computer equipment	30 – 55%	Declining Balance
Furniture and fixtures	20%	Declining Balance
Leasehold improvements	20%	Straight Line
Vehicle	30%	Declining Balance

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral Properties
The Company's mineral properties are in the exploration stage and the Company capitalizes all expenditures related to the acquisition, exploration and development of mineral properties until such time as the properties are placed into commercial production, abandoned, sold or considered to be impaired in value. Costs of producing properties are amortized on a unit-of-production basis based on proven and probable reserves.

Costs of abandoned properties are written off to operations. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Adjustments to carrying value due to impairment are charged to operations.

Property option payments received are credited against the cost of mineral properties. Where option payments received exceed the recorded acquisition costs of mineral claims, the amount in excess of the capitalized costs is credited to operations.

The Company has not yet determined the amount of reserves available on the mineral properties owned. The recoverability of the capitalized costs for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties and on future production or proceeds of disposition. The Company assesses the impairment of a mineral property whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Recoverability of the capitalized costs is then determined by a comparison of the carrying amount of the property to future undiscounted net cash flows expected to be generated by the mineral property. If a mineral property is considered to be impaired, that property is written down to its estimated net realizable value.

Asset retirement obligations
The Company follows the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3110, Asset Retirement Obligations. Section 3110 establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. The standard applies to potential statutory, regulatory, or civil obligations associated with the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. The standard requires that a liability for an asset retirement obligation be recognized in the period in which it is identifiable and when a reasonable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost should be recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost will be allocated over the remaining life of the asset. Management has reviewed the Company's determinable or likely future obligations and retirement costs of long lived assets and has concluded that the Company does not have any asset retirement obligations.

Impairment of Long-Lived Assets
Long-lived assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable from the future undiscounted net cash flows expected to be generated by the asset. If the asset is not fully recoverable, an impairment loss would be recognized in that period for the difference between the carrying value of the asset and its estimated fair value based on discounted net future cash flows or quoted market prices.

Stock-Based Compensation
The Company grants options to purchase shares to employees or directors. The fair value of the options on the date of the grant is recognized as a compensation expense, with a corresponding increase in contributed surplus, over the period during which the related options vest. When options to purchase shares are granted to non-employees in return for goods or services, the fair value of the options granted is recognized as an expense, with a corresponding increase in contributed surplus, in the year in which the goods or services are received or are expected to be received. The consideration received on the exercise of share options is credited to share capital. When options are exercised, previously recorded compensation is transferred from contributed surplus to share capital to fully reflect the consideration for the shares issued.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes
Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Financial Instruments
The Company follows the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement. Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivable, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost.

The Company's financial instruments consist of cash, other receivables, accounts payable, notes payable and amounts due to related parties. Cash is measured at face value, representing fair value, and are classified as held-for-trading. Other receivables, which are measured at amortized cost, are classified as loans and receivables. Accounts payable, notes payable and amounts due to a related party are measured at amortized cost and classified as other financial liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company has determined that it does not have derivatives or embedded derivatives.

The CICA Handbook Section 3862, Financial Instruments – Disclosure, requires an entity to classify fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The levels and inputs which may be used to measure fair value are as follows:

1. Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
2. Level 2 – fair values are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
3. Level 3 – applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.

Financial instruments classified as level 1 include cash.

Loss per Share
Basic loss per share is calculated using the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is the same as basic loss per share as the effect of issuance of shares on the exercise of stock options and warrants is anti-dilutive.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation
The Company's foreign operations are determined to be of an integrated nature and are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the rate of exchange in effect as at the balance sheet date and non-monetary assets and liabilities are translated at their applicable historical rates. Revenues and expenses are translated at the average rates prevailing for the period, except for amortization which is translated at the historical rates associated with the assets being amortized. Foreign exchange gains and losses from the translation of foreign operations are reflected in the statement of operations for the current period.

Use of Estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include the carrying value of mineral properties, future income tax rates and the determination of the fair value of stock-based compensation. Actual results may differ from these estimates.

Recent Accounting Pronouncements

International Financial Reporting Standards ("IFRS")
The Canadian Accounting Standards Board will require all public companies to use IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarters of fiscal year ending November 30, 2012 when the Company will prepare both the current and comparative financial information using IFRS. The Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS and initial adoption alternatives have not been determined.

Business Combination, Consolidated Financial Statements and Non-controlling interest
For interim and annual financial statements relating to fiscal years commencing on or after January 1, 2011, the Company will be required to adopt new CICA Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests". Section 1582 replaces existing Section 1581 "Business Combinations", and Sections 1601 and 1602 together replace Section 1600 "Consolidated Financial Statements". The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 "Business Combinations" and International Accounting Standard ("IAS") 27 "Consolidated and Separate Financial Statements" respectively. Management does not consider that the adoption of these standards will have a significant impact on the Company's financial statements.

NOTE 3 –SALE OF SUBSIDIARY

Sale of Peruvian Subsidiary

On July 28, 2010, the Company sold its wholly-owned Peruvian subsidiary, Minera Journey Resources SAC, which owned a 100% interest in the Silver Mountain Property (Note 5) for $25,000.

	$
Cash Consideration	25,000
Assets of Subsidiary:	
Cash	98
Silver Mountain Property	797,078
Loss on sale of subsidiary	(772,176)

NOTE 4 – EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
November 30, 2011	$	$	$
Computer Equipment	13,894	9,824	4,070
Furniture and Fixtures	7,291	4,702	2,589
Leasehold Improvements	6,547	4,910	1,637
Vehicle	5,887	3,435	2,452
	33,619	22,871	10,748
November 30, 2010			
Computer Equipment	10,204	8,559	1,645
Furniture and Fixtures	7,291	4,055	3,236
Leasehold Improvements	6,547	3,600	2,947
Vehicle	5,887	2,385	3,502
	29,929	18,599	11,330

NOTE 5 – MINERAL PROPERTIES

	November 30, 2009	Additions	November 30, 2010	Additions	November 30, 2011
	$	$	$	$	$
Musgrove Property, USA					
Acquisition and lease costs	544,827				
		50,388	595,215	49,450	644,665
Exploration Expenditures	1,053,129	60,014	1,113,143	61,012	1,174,155
	1,597,956	110,402	1,708,358	110,462	1,818,820
Vianey Property, Mexico					
Acquisition costs	235,546	11,091	246,640	10,295	256,935
Exploration expenditures	197,378	6,902	204,280	19,227	223,507
Disposition	-	-	-	(480,442)	(480,442)
	432,927	17,993	450,920	(450,920)	-
Charay Property, Mexico					
Acquisition costs	281,424	584,957	866,381	335,652	1,202,033
Exploration expenditures	41,150	314,789	355,939	166,625	522,564
Option payments received	-	-	-	(476,609)	(476,609)
	322,574	899,746	1,222,320	25,668	1,247,988
Empire Mine Property, USA					
Acquisition and base costs	-	-	-	147,475	147,475
Exploration expenditures	-	-	-	1,106,651	1,106,651
	-	-	-	1,254,126	1,254,126
Silver Mountain Property, Peru					
Acquisition costs	758,632	(25,000)	733,632	-	-
Exploration expenditures	31,193	7,253	38,446	-	-
Disposal of subsidiary (Note 3)	-	(772,078)	(772,078)	-	-
	789,825	(789,825)	-	-	-
Mineral properties	3,143,282	238,316	3,381,598	1,419,778	4,320,934

NOTE 5 – MINERAL PROPERTIES (continued)

Musgrove Property, USA
On June 13, 2007, the Company acquired the Musgrove Property situated in the Cobalt Mining District, Lemhi County, Idaho, USA and, under the terms of the option agreement, the Company assumed the underlying lease agreement dated June 12, 2003 with respect to certain mineral claims that comprise the Musgrove Property.

For certain claims underlying the Musgrove Property, the lease has a 10 year term and can be renewed for two successive terms of 10 year provided that the conditions of the lease are met. The Company is required to pay annual lease payments to the underlying lessor which progressively increase from US$25,000 paid on the third anniversary of the lease to a maximum of US$50,000 per year for the duration of the lease.

These claims are subject to an underlying 2% production royalty and a lump sum payment of US$1,000,000 upon completion of a feasibility study. In addition, the Company is required to incur minimum annual exploration expenditures of US$100,000 during the term of the lease, provided in every period of five years the Company may omit to incur US$100,000 of exploration expenditures for one year. Any excess expenditures incurred in any year may be carried forward and credited to the subsequent year. The Company has not fulfilled this commitment as at November 30, 2011; however, the Company has not been issued a notice of default. As at November 30, 2011, the Company has paid a total of US$234,500 in lease payments to the underlying lessor.

The Company deposited a reclamation bond of US$5,800 ($6,818) (2010 - $6,818) in April 2006 for future mineral claim site reclamation costs.

Vianey Property, Mexico – Joint Venture
The Company has a 50% interest in the Vianey mine concession located in Guerrero State, Mexico. The Vianey Property is held pursuant to an exploitation concession issued on August 5, 1979 by the government of Mexico and will expire in 2029, unless renewed.

On June 7, 2011, the Company signed an agreement with Grand Peak Capital Corp. ("Grand Peak") to acquire the Company's 50% interest in the Vianey Property for $325,000. Grand Peak will pay $125,000 (Note 14) upon legal transfer of the concessions and two subsequent payments of $100,000 each on the anniversary date of transfer.

The Company recorded a loss on the sale of the property of $192,842.

	$
Net present value of cash consideration	287,600
Carrying value	480,442
Loss on sale of mineral property	192,842

The Vianey Property was operated on a joint venture basis with the Company holding a 50% interest in the joint venture and is the operator of the project. The Company accounted for the joint venture using the proportionate consolidation method, which resulted in the recognition of a deferred gain of $183,182 during the year ended December 31, 2007. The deferred gain was amortized on a straight line basis over a term of 40 years. The Company recognized the unamortized balance of the deferred gain of $164,750 upon the sale of the joint venture.

NOTE 5 – MINERAL PROPERTIES (continued)

Charay Property, Mexico
On October 15, 2008, and as amended in May 2011, the Company entered into an option agreement to acquire a 100% interest in the Charay Property located in Sinaloa, Mexico. The Company needs to make the following cash payments and incur exploration expenditures in future years under the option agreement:

	Cash $	Cash (USD) $	Exploration Expenditures (USD) $
By November 30, 2012	125,000	851,000	862,500
By November 20, 2013	-	1,566,300	-

Of the cash commitments, $57,500 has been paid as at November 30, 2011.

The property is subject to a 2% net smelter royalty (“NSR”) upon commencement of commercial production.

On August 8, 2011, the Company entered into an option agreement with Westridge Resources Inc. (“Westridge”) to option Westridge an 80% interest in the Charay property. This agreement was approved by the Exchange on January 26, 2012.

Under the terms of the agreement, Westridge has to:

i. Assume the Company’s $258,000 loan payable (Note 6) commencing January 26, 2012;
ii. Make cash payments in the aggregate of US$2,227,500 plus applicable IVA and $140,000 to the Company over the next two years commencing September 1, 2011 representing payments to be made by the Company listed above;
iii. Make cash payments of $450,000 to the Company over a two year period commencing January 26, 2013;
iv. Issue a total of 1,200,000 Westridge common shares to the Company over a two year period commencing January 26, 2012; and
v. Fund work costs of $500,000 on the property by February 28, 2012.

As at November 30, 2011, the Company had received proceeds of $476,609 from Westridge.

Westridge will have the right, up to January 26, 2017, to purchase the remaining 20% interest from the Company for $5,000,000.

NOTE 5 – MINERAL PROPERTIES (continued)

Empire Mine Property, USA
On July 26, 2011, the Company exercised its options on exploration and lease agreements with two arm's length parties to earn a 100% operating interest in certain mining claims at the Empire Mine Property in Idaho, U.S.A. The lease has a term of 12 years.

Under the terms of the agreements, the Company must:

i. Make annual royalty payments of US$57,000;
ii. Pay the annual holding fees to the Bureau of Land Management;
iii. Make an advanced royalty payment of US$30,000 by June 1, 2012;
iv. Complete the drilling of 4 core holes on the property and deliver the materials for analysis by September 1, 2012;
v. Upon the completion sufficient drilling to make the "initial reserves" calculation, make a payment of US$11,500 or issue the equivalent amount of the Company's common shares;
vi. Upon completion of resource calculations and delivering a copy to the underlying owners of the property, make a payment of US$31,500 or issue the equivalent amount of the Company's common shares;
vii. Complete a NI 43-101 report within 5 years; and make a payment of $51,500 or issue the equivalent amount of the Company's common shares; and
viii. Upon completion of a Record of Decision issued by the United States Forest Service or the completion of a Permit to Operate issued by the State of Idaho, make a payment of $125,000 or issue the equivalent amount of the Company's common shares.

Upon commencement of commercial production, the property is subject to a 2.5 % NSR royalty which may be reduced to 1.5% for US$2,400,000.

Silver Mountain Property, Peru
On October 18, 2007, the Company acquired a 100% interest in the Silver Mountain Property located in Lima, Peru subject to a 1% NSR upon commencement of commercial production. The property was disposed of in July 2010 in connection with the sale of the Company's Peruvian subsidiary (Note 3).

NOTE 6 – NOTES PAYABLE

	November 30, 2011 $	November 30, 2010 $
Promissory note (a)	-	494,200
Promissory note (b)	-	150,000
Promissory note (c)	277,923	261,500
Other Short-Term Loans (d)	4,330	301,875
	282,253	1,207,575

(a) On June 30, 2008, the Company issued a note payable for $1,000,000. The note payable bore interest at 36% per annum, was secured by a pledge of 772,000 common shares of the Company, held by a director of the Company, and was guaranteed by a former director of the Company and was due on May 31, 2010. On December 7, 2010, the terms of the agreement were amended so the interest rate was reduced to 15% per annum in exchange for the Company paying a financing fee of $99,915. The note payable was repaid during the year ended November 30, 2011.

(b) On September 11, 2010, the Company issued a note payable for $150,000 to the optionors of the Charay Property. The Company was in default of option payments totaling $30,000 required on July 15, 2010 and September 1, 2010, and failed to incur the minimum exploration expenditure requirement of US$50,000 by September 1, 2010. The optionors agreed not to terminate the option agreement by accepting a note payable of $150,000. The note payable was non-interest bearing, unsecured and was due December 31, 2010. The Company repaid the note payable in February 2011.

(c) On September 29, 2010, the Company issued a note payable for $258,000. The note payable bears interest at 8%, is secured by 100% of the outstanding shares of the Company's subsidiary, Minerales Jazz, and is due on demand. The Company recorded interest expense of $16,423 (2010 – $3,500) which remained outstanding as at November 30, 2011. Subsequent to November 30, 2011, the Company assigned the note payable and accrued interest to Westridge (Note 5).

(d) These loans are unsecured, have no specified terms of repayment and bear interest at rates varying from 1% to 10%. The Company recorded interest expense and financing fees of $8,655 (2010- $194,325) during the year ended November 30, 2012.

NOTE 7 – SHARE CAPITAL

Authorized Capital
The Company is authorized to issue an unlimited number of common shares without par value.

Issued and Outstanding Common Shares
Effective December 17, 2010, the Company consolidated its common shares on the basis of eight old common shares for one new common share. All share and per share amounts have been retroactively restated to reflect the stock consolidation.

On January 21, 2011, the Company completed a private placement of 17,992,332 units at a price of $0.15 per unit raising gross proceeds of $2,698,849. Each unit consists of one common share and a one-half share purchase warrant exercisable into one common share at a price of $0.20 for a term of one year. A fair value of $762,920 was assigned to these warrants. The Company incurred legal and filing expenses of $17,246, finders' fees of $200,335 and issued 619,783 finders' warrants which have the same terms as the private placement warrants. A fair value of $115,575 was assigned to these finders' warrants.

NOTE 7 – SHARE CAPITAL (continued)

On July 5, 2011, the Company closed a non-brokered private placement of 7,999,999 units at a price of $0.15 per unit for gross proceeds of $1,200,000. Each unit comprised of one common share and one-half share purchase warrant exercisable into one common share at a price of $0.20 for two years. A fair value of $343,451 was assigned to these warrants. The Company incurred legal and filing expenses of $9,297, finders' fees of $89,206 and issued 750,383 finders' warrants which have the same terms as the private placement warrants. A fair value of $108,322 was assigned to these finders' warrants.

In January and February 2010, the Company completed a private placement of 3,333,375 units in two tranches at a price of $0.40 per unit raising gross proceeds of $1,333,350. Each unit consists of one common share and one share purchase warrant exercisable into one common share for a term of two years at an exercise price of $0.80 per share in the first year and $1.20 per share in the second year. A fair value of $549,898 was assigned to these warrants.

In May 2010, the Company completed a private placement of 1,436,667 units at $0.48 per unit for gross proceeds of $689,600. Each unit consists of one common share and one share purchase warrant exercisable into one common share for a term of two years at an exercise price of $0.96 per share in the first year and $1.28 per share in the second year. A fair value of $249,355 was assigned to these warrants.

In connection with the private placements completed during the year ended November 30, 2010, the Company incurred share issue costs totaling $352,168 which included finders' fees of $180,185, legal and filing fees of $19,075 and a fair value of $152,908 on the finders' warrants issued.

The Black-Scholes option pricing model was used to value the warrants using the following assumptions:

	2011	2010
Risk-free interest rate	1.55%-1.57%	1.22-1.62%
Expected volatility	241%-315%	147-160%
Expected life	1-2 years	2 years
Dividend yield	0%	0%

Stock Options

The Company has established a stock option plan which provides for the granting of incentive stock options up to a maximum of 10% of the Company's issued and outstanding common shares. Terms of the options granted are subject to determination and approval by the Board of Directors.

On February 15, 2011, 1,800,000 stock options were granted with an exercise price of $0.20 per share and exercisable for a period of five years. The fair value of the options is $450,349.

A continuity of the Company's stock options is as follows:

Balance, November 30, 2009	712,500
Expired	(425,000)
Balance, November 30, 2010	287,500
Granted	1,800,000
Expired	(12,500)
Cancelled	(37,500)
Balance, November 30, 2011	2,037,750

On November 30, 2011, the weighted average exercise price and weighted average remaining life of the Company's outstanding stock options are $0.32 and 4 years, respectively. As at November 30, 2011, all of the stock options were exercisable.

NOTE 7 – SHARE CAPITAL (continued)

The Black-Scholes option pricing model was used to determine the fair value of the stock options using the following assumptions:

	2011
Risk-free interest rate	2.32%
Expected volatility	179%
Expected life	5 years
Dividend yield	0%

Share Purchase Warrants

Balance, November 30, 2009	3,443,405
Issued	5,196,318
Exercised	(474,869)
Expired	(253,063)
Balance, November 30, 2010	7,911, 804
Issued	14,366,333
Expired	(2,715,475)
Balance, November 30, 2011	19,562,662

On November 30, 2011, the weighted average exercise price and weighted average remaining life of the Company's outstanding warrants are $0.48 and 0.53 years, respectively.

NOTE 8 – RELATED PARTY TRANSACTIONS

As at November 30, 2011, the Company owed $15,000 (2010 - $358,815) to directors or former directors, or companies controlled by directors or former directors, of the Company.

During the year ended November 30, 2011, the Company paid management fees of $97,500 (2010 - $91,500) and consulting fees of $46,250 (2010 – $Nil) to companies controlled by directors and former directors of the Company. During the year ended November 30 2011, the Company charged fees totalling $93,306 (2010 – $120,000) for rent and administrative support provided to a company controlled by former directors of the Company.

Balances due from and to related parties are unsecured, have no specified terms of repayment and are non interest bearing.

All related party transactions were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

NOTE 9 – GAIN ON DEBT SETTLEMENT

During the year ended November 30, 2011, the Company settled debt of $98,817 and recognized a gain in the same amount (2010 - $Nil).

NOTE 10 – COMMITMENTS

In addition to the mineral property option agreement commitments (Note 5), the Company entered into a five-year lease agreement for office premises effective April 1, 2008. Minimum annual payments for basic rent, operating costs and property taxes are as follows: 2012 - $94,725, 2013 - $31,829.

NOTE 11 – INCOME TAXES

The income tax provisions differ from the expected amounts calculated by applying Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	2011 $	2010 $
Loss before income taxes	(1,612,379)	(1,994,415)
Corporate tax rate	26.5%	28.6%
Expected income tax recovery	(427,280)	(570,901)
Permanent differences	(6,235)	2,020
Change in valuation allowance	651,373	85,145
Effect of change in tax rates	(217,858)	(45,877)
Expiration of non-capital losses and other	-	529,613
Income tax expense	-	-

The tax effects of significant temporary differences that give rise to future income tax assets as at November 30, 2011 and 2010 are as follows:

	2011 $	2010 $
Future income tax assets		
Non-capital losses carry-forward	2,132,473	1,764,793
Capital losses carry-forward	33,703	33,703
Equipment	5,718	8,810
Mineral properties	746,711	496,220
Share issue costs	106,098	69,805
Valuation allowance	(3,024,703)	(2,373,331)
Net future income tax assets	-	-

As at November 30, 2011, the Company has Canadian non-capital losses of approximately $8,543,614 (2010 - $6,984,642) which may be applied to reduce Canadian taxable income of future years, which expire as follows:

	$
2014	48,557
2015	505,062
2026	974,623
2027	809,236
2028	1,314,813
2029	1,090,591
2030	2,241,760
2031	1,376,099
	8,360,741

NOTE 12 - FINANCIAL INSTRUMENTS

Financial Risk Management
The Company is exposed in varying degrees to a variety of financial instrument related risks.

Liquidity risk
Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

Interest rate risk
Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to significant interest rate risk.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash. Cash is held with the same financial institution giving rise to a concentration of credit risk. This risk is managed by using a major Canadian bank that is a high credit quality financial institution as determined by ratings agencies. The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government sales taxes

Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign currency fluctuations as expenditures incurred in its subsidiaries in the USA and Mexico are denominated in US Dollars and Mexican Pesos respectively. A significant change in the currency rates between the Canadian Dollar relative to the US Dollar or Mexican Peso could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

NOTE 13 – CAPITAL MANAGEMENT

The Company manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. All sources of financing are analyzed by management and approved by the board of directors.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern.

The Company is meeting its objective of managing capital through preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity. The Company is not subject to externally imposed capital restrictions. The Company has had no changes in its capital management approach.

NOTE 14 – SUBSEQUENT EVENTS

On December 1, 2011, the Company received a payment of $146,000 from Grand Peak. As per the agreement, $125,000 of this is the first payment to acquire the Company's 50% holding of the Vianey Property. The remaining $21,000 is to cover the value-added taxes associated with that payment.

On January 25, 2012, the Company entered into a loan agreement to for $150,000. The loan will accrue interest at 12% per annum and is due July 30, 2012. The loan is secured by the Company's interest in the Musgrove Property (Note 5).

On February 16, 2012, the Company received approval from the Exchange to settle outstanding debt of $488,914 by issuing 4,889,143 shares.