MUSGROVE MINERALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED

February 29, 2012

(UNAUDITED)

(Expressed in Canadian dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Musgrove Minerals Corp.
Consolidated statements of financial position
(Expressed in Canadian dollars – unaudited)

	Notes		February 29, 2012		November 30, 2011		December 01, 2010
ASSETS							
Current assets							
Cash		**$**	137,921	**$**	21,989	$	2,418
Mineral property payment receivable			-		125,000		-
Other receivable			35,595		47,158		79,880
Prepaid expenses			10,846		10,846		21,362
Marketable securities	4		260,000		-		-
			444,362		204,993		103,660
Non-current assets							
Equipment	5		9,781		10,748		11,330
Exploration and evaluation assets	6		4,101,430		4,320,934		3,212,264
Payment receivable	7		168,303		162,600		-
Reclamation bond			6,818		6,818		6,818
			4,286,332		4,501,100		3,399,746
TOTAL ASSETS		**$**	**4,730,694**	**$**	**4,706,093**	$	3,338,656
LIABILITIES							
Current liabilities							
Payables and accrued liabilities		**$**	208,579	**$**	800,898	$	585,059
Due to related parties	11		25,000		15,000		358,815
Short-term loans	8		150,000		282,253		1,207,575
			383,579		1,098,151		2,151,449
Non-current liabilities			-		-		-
TOTAL LIABILIITES			383,579		1,098,151		2,151,750
SHAREHOLDERS' EQUITY							
Share capital	9		18,264,291		15,463,259		13,210,762
Reserves	10		2,414,960		4,747,263		2,966,646
Deficit			(16,332,136)		(16,602,580		(14,990,201)
TOTAL EQUITY			4,347,115		3,607,942		1,187,207
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**4,730,694**	**$**	**4,706,093**	**$**	**3,338,656**

APPROVED BY THE DIRECTORS:

"Norman Brewster" **Director** ***"Rana Vig"*** **Director**

– See Accompanying Notes to the Interim Consolidated Financial Statements –

Musgrove Minerals Corp..
Consolidated statements of comprehensive loss
For the three month period ended Feb 29, 2011
(Expressed in Canadian dollars – unaudited)

EXPENSES	Three Months Ended February 29, 2012 $	Three Months Ended February 28, 2011 $
Accounting and audit	3,120	34,000
Amortization	967	908
Bad debts	-	4,229
Consulting fees	5,000	270,316
Filing and transfer agent fees	3,528	40,666
Interest	1,227	121,173
Investor relations	-	9,190
Legal	1,879	9,432
Management fees	10,000	25,500
Office	12,568	41,693
Rent	13,456	30475
Stock-based compensation	-	154,946
Travel	2,011	12,105
LOSS BEFORE OTHER ITEMS	(53,755)	(754,633)
Administrative fee income	-	30,000
Amortized gain on contribution to joint venture	-	1,146
Interest income	5,702	
Foreign exchange gain/loss	29,070	3,093
Debt assignment (Note 8)	258,000	-
Gain on debt settlement	31,427	-
	324,199	34,239
NET AND COMPREHENSIVE GAIN/LOSS	270,444	(720,394)

- See Accompanying Notes to the Interim Consolidated Financial Statements –

Musgrove Minerals Corp.
Consolidated statements of cash flow
For the three month period ending February 29, 2012
(Expressed in Canadian dollars - unaudited)

	For The Three Months Ending February 29, 2012	February 28, 2011
Operating activities		
Loss before income taxes	$ 270,444	$ (720,394)
Adjustments for non-cash items:		
Amortization	967	908
Bad debts	-	4,229
Stock-based compensation	-	154,946
Gain on debt settlement	(31,427)	-
Changes in non-cash working capital items:		
Accounts receivable	130,861	(15,989)
Prepaid	-	(4,275)
Marketable securities	260,000	
Payables and accrued liabilities	(592,164)	(310,388)
Net cash flows from (used in) operating activities	38,681	(910,209)
Investing activities		
Net change in mineral assets	219,504	(198,421)
Net cash flows from (used in) investing activities	219,504	(198,421)
Financing activities		
Shares issued for cash	-	2,698,850
Share issue costs	-	(203,214)
Due to related parties	(10,000)	(343,815)
Net (Payments) Advances Short Term Loans	(132,253)	(944,040)
Net cash flows from (used in) financing activities	(142,253)	1,551,596
Increase (decrease) in cash and cash equivalents	115,932	(442,966)
Cash and cash equivalents, beginning	21,989	2,418
Cash and cash equivalents, ending	**$ 137,921**	**$ 445,384**
Supplementary information		
Cash paid for interest expense	$ 1,227	$ 121,173
Non-cash transactions		
Shares issued for debt	$ 473,790	$ -

– See Accompanying Notes to the Interim Consolidated Financial Statements –

Musgrove Minerals Corp.
Consolidated statements of changes in equity
For the three month periods ended Feb 29, 2012
(Expressed in Canadian dollars – unaudited)

	Notes	Number of shares	Amount	Share Subscription Advances	Stock option reserve	Stock warrant reserve	Deficit	Total
			$	$	$	$	$	$
Restated balance at Nov 30, 2011		**40,583,962**	**15,463,259**	-	**1,968,249**	**2,779,014**	**(16,602,580)**	**3,607,942**
Comprehensive income:								
Gain/Loss for the period		-	-	-	-	-	270,444	270,444
Other comprehensive income (loss)		-	-	-	-	-	-	-
Total comprehensive loss for period		-	-	-	-	-	270,444	270,444
Shares issued – for cash		-	-	-	-	-	-	-
Share issue costs		-	-	-				-
Shares issued - for debt		4,737,710	473,791	-	-	-	-	473,791
Shares issued – option exercise		-	-	-	-	-	-	-
Shares issued – warrant exercise		-	-	-	-	-	-	-
Expiry of options		-	-	-	(5,062)	-	-	(5,062)
Expiry of warrants		-	2,327,241	-	-	(2,327,241)	-	-
Stock-based compensation		-	-	-	-	-	-	-
Restated balance at Feb 29, 2012		**45,321,672**	**18,264,291**	-	**1,963,187**	**451,773**	**(16,332,136)**	**4,347,115**

	Notes	Number of shares	Amount	Share Subscription Advances	Stock option reserve	Stock warrant reserve	Deficit	Total
			$	$	$	$	$	$
Restated balance at Nov 30, 2010		**14591,631**	**13,210,762**	-	**1,517,900**	**1,448,746**	**(14,990,201)**	**1,187,207**
Comprehensive income:								
Loss for the period		-	-	-	-	-	(720,394)	(720,394)
Other comprehensive income (loss)		-	-	-	-	-	-	
Total comprehensive loss for period		-	-	-	-	-	(720,394)	(720,394)
Shares issued - for cash		17,992,332	1,375,884	-	--	1,322,966	-	2,698,850
Shares issue costs		-	(358,160)	-	-	154,946	-	(203,214)
Shares issued – option exercise		-	-	-	-	-	-	-
Shares issued – warrant exercise		-	-	-	-	-	-	-
Stock-based compensation		-	-	-	154,946	-	-	-
Restated balance at Feb 28, 2011		**32,583,963**	**14,228,486**	-	**1,672,846**	**2,926,658**	**(15,710,595**	**3,117,395**

– See Accompanying Notes to the Interim Consolidated Financial Statements –

1. Nature and continuance of operations

Musgrove Minerals Corp. (the "Company") was incorporated under the laws of British Columbia, Canada on March 29, 2000.

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 and on the OTC market (Symbol: MGSGF) and Frankfurt (Symbol JL4M).

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary 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 February 29, 2012, the Company had not advanced its property 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 mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares.

2. Basis of preparation and adoption of International Financial Reporting Standards

Statement of compliance and conversion to International Financial Reporting Standards

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 and IFRS 1. Subject to certain transition elections disclosed in Note 14, the Company has consistently applied the same accounting policies in its opening IFRS balance sheet at December 01, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 14 discloses the impact of the transition to IFRS on the Company's reported balance sheet, statements of income (loss) and comprehensive income (loss) and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended November 30, 2010. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

Previously, the Company prepared its interim financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of April 14, 2012, the date the Board of Directors approved the Financial Statements.

The interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended November 30, 2011.

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

3. Significant accounting policies

Consolidation

When appropriate, the consolidated financial statements will include the accounts of the Company and its controlled entities. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, will be eliminated on consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the determination of the useful lives of property, plant and equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Foreign currency translation

When appropriate, the condensed consolidated financial statements will be presented in Canadian dollars which is the parent company's functional and presentation currency.

Transactions and balances:

Foreign currency transactions will be translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

3. Significant accounting policies (cont'd)

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Company companies:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency will be translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and

- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency translation reserve in the statement of comprehensive income. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Farms outs

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized.

3. Significant accounting policies (cont'd)

Share-based payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

3. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Impairment of assets

The carrying amount of the Company's assets (which include property, plant and equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Income taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management

3. Significant accounting policies (cont'd)

periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate

that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

(Expressed in Canadian dollars - unaudited)

3. Significant accounting policies (cont'd)

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income and comprehensive income during the financial period in which they are incurred.

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

Depreciation and amortization are calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of property, plant and equipment are as follows:

Class of property, plant and equipment	**Depreciation rate**
Computer equipment	30% - Declining Balance
Vehicle	30% - Declining Balance

Accounting standards issued by not yet effective

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 9, Financial Instruments (IFRS 9), IFRS 10, Consolidated Financial Statements (IFRS 10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of Interests in Other Entities (IFRS 12), IAS 27, Separate Financial Statements (IAS 27), IFRS 13, Fair Value Measurement (IFRS 13) and amended IAS 28, Investments in Associates and Joint Ventures (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

IFRS 9 – Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income.

3. Significant accounting policies (cont'd)

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the proportionate method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31,

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles, and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

4. Short term investments

On January 26th, 2012 Westridge Resources issued the Company 400,000 of its common shares ($260,000) as per the terms of the August 8th, 2011 agreement between the parties for the optioning of the Charay Property in Mexico. These shares are classified as available for sale.

(Expressed in Canadian dollars - unaudited)

5. Property and equipment

		Computer Equipment			Computer Equipment
Cost:			**Cost:**		
At December 01, 2011	$	13,894	At December 01, 2010	$	10,204
Additions		-	Additions		3,690
Disposals		-	Disposals		-
At February 29, 2012		13,894	At November 30, 2011		13,894
Depreciation			**Depreciation**		
At December 01, 2011		9,824	At December 01, 2010		8,559
Charge for the period		305	Charge for the period		1,265
Eliminated on disposal		-	Eliminated on disposal		-
At February 29, 2012		10,129	At November 30, 2011		9,824
Net book value:			**Net book value:**		
At December 01, 2012		4,070	At December 01, 2010		1,645
At February 29, 2012	**$**	**3,765**	**At November 30, 2011**	**$**	**4,070**

		Office Furniture			Office Furniture
Cost:			**Cost:**		
At December 01, 2011	$	7,291	At December 01, 2010	$	7,291
Additions		-	Additions		-
Disposals		-	Disposals		-
At February 29, 2012		7,291	At November 30, 2011		7,291
Depreciation			**Depreciation**		
At December 01, 2011		4,702	At December 01, 2010		4,055
Charge for the period		129	Charge for the period		647
Eliminated on disposal		-	Eliminated on disposal		-
At February 29, 2012		4,832	At November 30, 2011		4,702
Net book value:			**Net book value:**		
At December 01, 2011		2,589	At December 01, 2010		3,236
At February 29, 2012	**$**	**2,459**	**At November 30, 2011**	**$**	**2,589**

		Leasehold Improvement			Leasehold Improvement
Cost:			**Cost:**		
At December 01, 2011	$	6,547	At December 01, 2010	$	6,547
Additions		-	Additions		-
Disposals		-	Disposals		-
At February 29, 2012		6,547	At November 30, 2011		6,547
Depreciation:			**Depreciation:**		
At December 01, 2011		4,910	At December 01, 2010		3,600
Charge for the period		409	Charge for the period		1,310
Eliminated on disposal		-	Eliminated on disposal		-
At February 29, 2012		5,319	At November 30, 2011		4,910
Net book value:			**Net book value:**		
At December 01, 2011		1,637	At December 01, 2010		2,947
At February 29, 2012	**$**	**1,228**	**At November 30, 2011**	**$**	**1,637**

(Expressed in Canadian dollars - unaudited)

5. Property and equipment (cont'd)

		Vehicle			Vehicle
Cost:			**Cost:**		
At December 01, 2011	$	5,887	At December 01, 2010	$	5,887
Additions		-	Additions		-
Disposals		-	Disposals		-
At February 29, 2012		5,887	At November 30, 2011		5,887
Depreciation:			**Depreciation:**		
At December 01, 2011		3,435	At December 01, 2010		2,385
Charge for the period		123	Charge for the period		1,050
Eliminated on disposal		-	Eliminated on disposal		-
At February 29, 2012		3,558	At November 30, 2011		3,435
Net book value:			**Net book value:**		
At December 01, 2011		2,452	At December 01, 2010		3,502
At February 29, 2012	**$**	**2,330**	**At November 30, 2011**	**$**	**2,452**

6. Exploration and evaluation assets

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:

- Make annual royalty payments of US$57,000;
- Pay the annual holding fees to the Bureau of Land Management;
- Make an advanced royalty payment of US$30,000 by June 1, 2012;
- Complete the drilling of 4 core holes on the property and deliver the materials for analysis by September 1, 2012;
- Upon the completion of 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;
- 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;

Complete a NI 43-101 report within 5 years; and make a payment of $US 51,500 or issue the equivalent amount of the Company's common shares; and 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 $US175,000 or issue the equivalent amount of the Company's common shares. On completion of a land exchange with the United States Forest Service make a payment of $US 50,000 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.

(Expressed in Canadian dollars - unaudited)

Musgrove Creek 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 Creek Property.

For certain claims' underlying the Musgrove Creek Property, the lease has a 10 year term and can be renewed for two successive terms of 10 years 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 (CDN$6,818) (2010 - $6,818) in April 2006 for future mineral claim site reclamation costs.

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:

- Assume the Company's $258,000 loan payable (Note 8) commencing January 26, 2012;

(Expressed in Canadian dollars - unaudited)

- 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;
- Make cash payments of $450,000 to the Company over a two year period commencing January 26, 2013;
- Issue a total of 1,200,000 Westridge common shares to the Company over a two year period commencing January 26, 2012; and Fund work costs of $500,000 on the property by February 28, 2012.

As at February 29, 2012, the Company had received proceeds of $629,609 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.

Vianey Property, Mexico – Joint Venture
The Company had a 50% interest in the Vianey mine concession located in Guerrero State, Mexico. 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 would pay $125,000 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

Information on Vianey is presented here for comparative statement purposes only

(Expressed in Canadian dollars - unaudited)

6 Exploration and evaluation assets (cont'd)

	USA		Total for three month period ended Feb 29, 2012	USA		Total for year ended Nov 30, 2011
	Empire Mine	**Musgrove Creek**		**Empire Mine**	**Musgrove Creek**	
Property acquisition costs						
Balance, beginning of period	$ 147,475	$ 644,665	$ 792,140	$ -	$ 595,215	$ 595,215
Additions - Cash	30,500	-	30,500	147,475	49,450	196,925
Additions - Share		-	-	-	-	-
Write-down due to impairment		-	-	-	-	-
Balance, end of period	177,975	$ 644,665	$ 822,640	$ 147,475	$ 644,665	$ 792,140
Exploration and evaluation costs						
Balance, beginning of period	$ 1,106,651	$ 1,174,156	$ 2,280,807	$ -	$ 1,113,143	$ 1,113,143
Costs incurred during period:						
Assays	-	-	-	153	-	153
Drilling and related costs	-	-	-	164,973	-	164,973
Field and camp costs	-	-	-	586,719	31,744	618,463
Geological consulting	-	-	-	325,040	-	325,040
Regulatory & Admin	-	-	-	2,011	16,167	18,178
Staking & Maintenance	-	-	-	3,954	13,102	17,056
Travel and accommodation	-	-	-	23,801	-	23,801
	$ 1,106,651	$ 1,174,156	$ 2,280,807	$ 1,106,651	$ 1,174,156	$ 2,280,807
Recovery of costs during period:						
Exploration tax credits	-	-	-	-	-	-
Proceeds from joint venture	-	-	-	-	-	-
Other:						
Exploration tax credits	-	-	-	-	-	-
Sale of exploration and evaluation asset	-	-	-	-	-	-
Write-down due to impairment	-	-	-	-	-	-
Total	$ 1,284,626	$ 1,818,821	$ 3,103,447	$ 1,254,126	$ 1,818,820	$ 3,072,946

Musgrove Minerals Corp
Notes to the Consolidated Financial Statements
For the three month period ended February 29, 2012
(Expressed in Canadian dollars - unaudited)

6 Exploration and evaluation assets (cont'd)

	Mexico			Mexico		
	Charay	**Vianey**	**Total for three month period ended Feb 29, 2012**	Charay	Vianey	**Total for year ended Nov 30, 2011**
Property acquisition costs						
Balance, beginning of period	$ 1,202,033	$ -	$ 1,202,033	$ 866,381	$ 246,640	$ 1,113,021
Additions - Cash		-	-	335,652	10,295	345,947
Additions - Share		-	-	-	-	
Balance, end of period	1,202,033	$ -	$ 1,202,033	$ 1,202,033	$ 256,935	$ 1,458,968
Exploration and evaluation costs						
Balance, beginning of period	$ 522,564	$ -	$	$ 355,939	$ 204,280	$ 560,219
Costs incurred during period:						
Assays	-	-	-		-	
Drilling and related costs	-	-	-	75,068	-	75,068
Field and camp costs	162,995	-	164,753	65,842	10,677	76,519
Geological consulting	-	-	-	23,315	2,550	25,865
Regulatory & Admin.	-	-	-	-	6,000	6,000
Staking & Maintenance	-	-	-	2,400	-	2,400
Travel and accommodation	-	-	-	-	-	-
	$ 685,559	$	$ 210,708	$ 522,564	$ 223,507	$ 746,071
Recovery of costs during period:						
Exploration tax credits	-	-	-	-	-	-
Proceeds from joint venture	-	-	-		-	
Other:						
Sale of claim.		-	-		(480,442)	(480,442)
Opening balance option pmts.	(476,609)					
Option payments	(153,000)		(153,000)	(476,609)		(476,609)
Shares	(260,000)		(260,000			
Impairment	-	-	-			
		-				
Total	$ 997,983	$ -	$ 997,983	$ 1,247,988	$ -	$ 1,247,988
Mineral Properties Total	2,282,609	1,818,821	4,101,430	2,502,114	1,818,820	4,320,934

(Expressed in Canadian dollars - unaudited)

7. Payment receivable

		Feb 29, 2012		Nov 30, 2011
Payment receivable		162,600		162,600
Accretion		5,703		-
	$	168,303	$	162,600

The payment receivable relates to the sale of the Vianey property as per (Note 6). The balance due will be accreted on a quarterly basis over the two year term for payment.

8. Loans

		Feb 29, 2012		Nov 30, 2011
Loans		150,000		282,253
	$	150,000	$	282,253

On November 30, 2011 the Company carried $282,253 of loans and accrued interest. On January 26, 2012 the $258,000 loan in relation to the Charay Project in Mexico was assigned to Westridge and the accrued interest was subsequently paid.

On January 25, 2012, the Company entered into a loan agreement 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 Creek Property.

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9. Share capital

Authorized share capital

Unlimited number of common shares without par value:

Issued share capital

At February 29, 2012 there were 45,321,672 issued and fully paid common shares (November 30, 2011 – 40,583,962).

Private placements

There were no private placements during the three month period ending February 29, 2012.

Shares for debt

On February 16, 2012, the Company received approval from the Exchange to settle outstanding debt of $473,790 by issuing 4,737,900 shares having a deemed value of $0.10 each.

Basic and diluted loss per share

The calculation of basic and diluted earnings per share of $0.01 for the three month period ended February 29, 2012 was based on the gain attributable to common shareholders of 270,444 and weighted average number of shares being 36,491,321 . For the same period in 2011, the loss being (720,394), the weighted average number of common shares outstanding being 22,188,393 and the loss per share ($0.03).

(Expressed in Canadian dollars - unaudited)

Diluted loss per share did not include stock options as the effect would be anti-dilutive.

Stock options

The Company has adopted a stock option plan whereby the Company may from time to time in accordance with the TSX Venture Exchange ("Exchange") requirements grant to directors, officers, employees and consultants options to purchase common shares of the Company provided that the number of options granted, including all options granted by the Company to date, does not exceed 10% of the Company's common shares issued and outstanding at the time of granting stock options.

Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

The changes in options during the three month period ended February 29, 2012 and the year ended November 30, 2011 are as follows:

Number of Shares	Exercise Price	Expiry Date
12,500	$2.40	November 13,2012
18,750	$2.56	February 01, 2013
100,000	$0.80	April 02, 2014
87,500	$0.80	June 01, 2014
1,800,000	$0.20	February 15, 2016
2,018,750		

	February 29, 2012 Number of options	November 30, 2011 Number of options
Options outstanding, beginning of period	2,037,500	287,500
Options granted	-	1,800,000
Options exercised	-	-
Options expired	(18,750)	(12,500)
Options forfeited		(37,500)
Options outstanding, end of period	2,018,750	2,037,750
Options exercisable, Feb 29, 2012.	2,018,750	2,037,750

Details of options outstanding as at February 29, 2012 are as follows:

(Expressed in Canadian dollars - unaudited)

	Weighted average exercise price		Weighted average life		Options outstanding
$	0.20	$	4.75	$	2,018,750

The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

Options	Nov 30, 2011
Expected life	5 years
Annualized volatility	179%
Risk-free interest rate	2.32%
Dividend rate	0

Share Purchase Warrants

(a)

Number of Warrants		Exercise Price	Expiry Date
4,730,383	$	0.20	July 5, 2013

(b)

	Number of Warrants		Weighted Average Exercise Price	Weighted Average Remaining Life(Years)
Balance, Nov 30, 2011	19,562,662	$	$0.48	.53 years
Issued	-		-	-
Exercised	-		-	-
Expired	(14,832,279)		$0.48	-
Balance, February 29, 2012	4,730,383	$	0.20	.66 years

The Company has calculated fair value of $60,943 for the agent warrants granted determined based on the fair value of the agent warrants at the grant date estimated using the Black-Scholes fair value pricing model with the following assumptions:

Warrants	November 30, 2011
Expected life	1-2 years
Annualized volatility	241%
Risk-free interest rate	1.55%
Dividend rate	0

(Expressed in Canadian dollars - unaudited)

10. Reserves

Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

	February 29, 2012	November 30, 2011
Balance at beginning of year	$1,968,249	1,517,900
Value of options granted	-	450,349
Exercise of options	-	-
Expiry of options	($5,062)	-
	$ 1,963,187	$1,968,249

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Warrant reserve

The stock warrant reserve records items recognized as warrants until such time that they are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to share capital.

	February 29, 2012	November 30, 2011
Balance at beginning of year	$ 2,779,014	1,448,746
Value of warrants granted		$ 1,330,268
Exercise of warrants	-	
Expiry of warrants	($2,327,241)	-
	$ 451,773	$2,779,014

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11. Related party transactions

Related party balances

The following amounts due to related parties are included in payables:

		February 29, 2012		November 30,2011
Companies controlled by directors		$25,000		$15,000
	$	$25,000	$	$15,000

Related party transactions

The Company incurred the following transactions with companies that are controlled by directors or officers of the Company.

		Three month period ended		
		February 29, 2012		February 28, 2011
Management fees		10,000		97,500
Consulting		5,000		46,250
Professional services		$3,120		-
	$	$18,120	$	143,750

(Expressed in Canadian dollars - unaudited)

Key management personnel compensation

		Three month periods ended		
		February 29, 2012		February 28, 2011
Management fees		10,000		25,500
	$	10,000	$	25,500

12. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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 held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality

financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes and exploration credits.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at Feb. 29, 2012:

		Within one year	Between one and five years	More than five years
Payables - Rent	$	71,643	31,829	-
	$	71,643	31,829	-

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. A Company's subsidiary will be exposed to currency risk as it incurs expenditures that are denominated in non-Canadian dollars. The Company has a foreign subsidiaries in Mexico exposed to fluctuations in foreign exchange rates with Mexican pesos.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Company's net loss of $1,379.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

13. Contingency

The Company has no contingencies.

14. Transition to IFRS

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements, making them the first interim financial statements of the Company under IFRS. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", July 1, 2010 has been considered to be the date of transition to IFRS by the Company. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

Exemptions applied

The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before January 1, 2010.

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the proportionate method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31,

IAS 21 “The Effects of Changes in Foreign Exchange Rates” has not been applied to cumulative translation differences that existed at the date of transition to IFRS.

IFRS 2 “Share-based Payment” has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP.

IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” has been applied prospectively to all provisions for restoration and environmental obligations that are within the scope of International Financial Reporting Interpretations Committee (“IFRIC”) “Changes in Existing Decommissioning, Restoration and Similar Liabilities”. The Company has:

- re-measured the liabilities as at July 1, 2010 in accordance with IAS 37;
- estimated the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rates that would have applied for that liability over the intervening period; and
- calculate the accumulated depreciation on that amount, as at July 1, 2010, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the entity.

The Company has applied the transitional provision in IFRIC 4 “Determining whether an Arrangement contains a Lease” and has assessed all arrangements as at July 1, 2010.

The transition to IFRS did not have an impact on the statements of financial position, income and comprehensive income and cash flows of the Company. No adjustments were required upon adoption of IFRS except cumulative surplus was restated as and reserves.

(Expressed in Canadian dollars - unaudited)

14. Transition to IFRS (cont'd)

Reconciliation of assets

		As at Nov 30, 2010			As at Dec 01, 2009		
	Notes	**Canadian GAAP**	**Effect of Transition**	**IFRS**	**Canadian GAAP**	**Effect of Transition**	**IFRS**
ASSETS							
Current assets		-	-	-	-	-	-
Non-current assets							
Exploration and evaluation assets		3,381,598	(164,750)	3,212,264	3,143,282	(169,334)	2,973,948
			-				
TOTAL ASSETS		**$ 3,503,406**	**$ (164,750)**	**$ 3,338,656**	**$ 3,143,282**	**$ (169,334)**	**$ 2,973,948**

Reconciliation of liabilities

		As at Nov 30, 2010			As at Dec 01, 2009		
	Notes	**Canadian GAAP**	**Effect of Transition**	**IFRS**	**Canadian GAAP**	**Effect of Transition**	**IFRS**
LIABILITIES							
Current liabilities							
Non-current liabilities							
Deferred gain on contribution		164,750	(164,750)	-	169,334	(169,334)	-
			-			-	
TOTAL LIABILITIES		**2,316,500**	**(164,750)**	**2,151,750**	**2,428,947**	**(169,334)**	**2,259,613**
SHAREHOLDERS' EQUITY							
Contributed surplus		2,966,646	(2,966,646)	-	2,075,483	(2,075,483)	-
Reserves		-	2,966,646	2,966,646	-	2,075,483	2,075,483
		1,187,207		**1,187,207**	**1,137,926**		**1,137,926**
TOTAL LIABILITIES AND SHARESHOLDER'S EQUITY		**$ 3,503,406**	**$ (164,750)**	**$ 3,338,656**	**$ 3,143,282**	**$ (169,334)**	**$ 2,973,948**

(Expressed in Canadian dollars - unaudited)

2) The Canadian GAAP statement of income (loss) and comprehensive income (loss) for the three months ended Feb 28, 2011 and year ended Nov 30 2010 has been reconciled to IFRS as follows:

		Three Months			Year Ended		
		Feb 28 2011 CGAAP	Effects of IFRS	Feb 28 2011 IFRS		Nov 30 2010 CGAAP	Effects of IFRS	Nov 30 2010 IFRS
OPERATING EXPENSES	$	754,633	-	754,633	$	1,364,211	-	1,364,211
OTHER EXPENSES (INCOME)		34,239	-	34,239		(625,620)	-	(625,620)
NET COMPREHENSIVE LOSS FOR THE PERIOD	$	(720,394)	-	(720,394)	$	(1,994,415)	-	(1,994,415)

Reconciliation of cash flows for the three month period ended Feb 28, 2010

	Notes	Canadian GAAP	Effect of Transition	IFRS
Operating activities				
Net cash flows from (used in) operating activities		(911,355)	-	(911,355)
Investing activities				
Net cash flows from (used in) investing activities		(197,275)	-	(197,275)
Financing activities				
Net cash flows from (used in) financing activities		1,551,596	-	1,551,596
Increase (decrease) in cash and cash equivalents		442,966	-	442,966
Cash, beginning		2,418	-	2,418
Cash, ending		**$ 445,384**	**$**	**$ 445,384**

(Expressed in Canadian dollars - unaudited)

Reconciliation of equity

		Feb 28, 2011	Nov 30, 2010	Dec 1, 2009
Equity previously reported under Canadian GAAP		**3,117,395**	**1,187,207**	**1,137,926**
Adjustments upon adoption of IFRS:				
No adjustments beside cumulative surplus to reserves upon adoption of IFRS		-	-	-
Equity reported under IFRS	**$**	**3,117,395**	**1,187,207**	**$1,137,926**

Reconciliation of comprehensive loss

	Feb 28, 2011	Nov 30 2010	Dec 1, 2009
Comprehensive loss previously reported under Canadian GAAP	**$(720,394)**	**$(1,994,415)**	**$(1,324,097)**
Adjustments upon adoption of IFRS:			
No adjustments upon adoption of IFRS	-	-	-
Comprehensive loss reported under IFRS	**$(720,394)**	**$(1,994,415)**	**$(1,324,097)**

Notes to reconciliations

(i) Assets and Liabilities

Under Canadian CAAP, a deferred gain on contribution was set up as a liability, with the debit going to exploration and development assets. This was reversed upon adoption of IFRS.

(ii) Reserves

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified as reserves.

(iii) Reconciliation of equity, comprehensive loss and cash flow.

No adjustments were required upon adoption of IFRS except cumulative surplus and reserves.

15. Subsequent Events

On April 6, 2012, the Company entered into a letter of intent ("LOI") to option out the Empire Mine Property. Under the terms of the LOI, the Company will receive the following consideration in exchange for granting an option to acquire the Company's interest in the Empire Mine Property:

- $ 40,000 (paid)
- $ 200,000 payable upon the date the Exchange accepts for filing a definitive agreement (the "Effective Date")
- $ 50,000 60 days after the Effective Date
- $ 250,000 180 days after the Effective Date
- $ 725,000 365 days after the Effective Date
- $ 225,000 to the Company on or before 18 months after the Effective Date
- Optionee's stock with a deemed value of $350,000

The Company will retain a 2% NSR which can be purchased at any time up to 60 months from the Effective date for $ 5,000,000. Also, under the terms of the LOI, the Optionee will assume all further property payments and commitments on the Empire Mine Property commencing May 1, 2012.