MUSGROVE
minerals corp.

CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2012

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Musgrove Minerals Corp.

We have audited the accompanying consolidated financial statements of Musgrove Minerals Corp., which comprise the consolidated statements of financial position as at November 30, 2012, November 30, 2011 and December 1, 2010 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended November 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control 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 audits. We conducted our audits 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 control. 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Musgrove Minerals Corp. as at November 30, 2012, November 30, 2011 and December 1, 2010 and its financial performance and its cash flows for the years ended November 30, 2012 and 2011, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Musgrove Minerals Corp.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
March 27, 2013

MUSGROVE MINERALS CORP.

Consolidated statements of financial position

(Expressed in Canadian dollars)

	Note	November 30, 2012 $	November 30, 2011 $	December 1, 2010 $
ASSETS			(Note 21)	(Note 21)
Current				
Cash		104,775	21,989	2,418
Term deposits	5	70,000	-	-
Marketable securities	4	45,000	-	-
Mineral property payment receivable	7	187,060	125,000	-
Sales tax receivable		15,930	47,158	79,880
Prepaid expenses		15,013	10,846	21,362
		437,778	204,993	103,660
Equipment	6	6,926	10,748	11,330
Exploration and evaluation assets	7	2,915,641	4,320,934	3,216,848
Mineral property payment receivable	7	-	162,600	-
Reclamation bond	7	5,859	6,818	6,818
		2,928,426	4,501,100	3,234,996
TOTAL ASSETS		3,366,204	4,706,093	3,338,656
LIABILITIES				
Current				
Trade payables and accrued liabilities	13	84,653	800,898	585,059
Due to related parties	14	-	15,000	358,815
Short-term loans	8	1,205	282,253	1,207,575
		85,858	1,098,151	2,151,449
SHAREHOLDERS' EQUITY				
Common shares	9	16,313,350	15,463,259	13,210,762
Reserves	9, 12	4,837,939	4,792,003	2,966,646
Deficit		(17,870,943)	(16,647,320)	(14,990,201)
		3,280,346	3,607,942	1,187,207
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,366,204	4,706,093	3,338,656

Nature and continuance of operations (Note 1)

Commitments (Note 7)

Subsequent event (Note 7)

APPROVED FOR ISSUANCE BY THE BOARD OF DIRECTORS ON MARCH 27, 2013:

"Norman Brewster"
Director

"Rana Vig"
Director

See accompanying notes to the consolidated financial statements

MUSGROVE MINERALS CORP.

Consolidated statements of comprehensive loss
(Expressed in Canadian dollars)

	Note	Year ended November 30, 2012 $	2011 $ (Note 21)
EXPENSES			
Amortization	6	4,223	4,272
Consulting fees	14	98,164	395,411
Directors' fees	14	27,250	-
Filing and transfer agent fees		32,080	61,492
Investor relations		-	165,555
Professional fees		88,869	131,736
Management fees	14	67,500	97,500
Miscellaneous property exploration		9,976	17,634
Office		53,277	136,866
Rent		103,585	82,665
Stock-based compensation	10	-	450,349
Travel		7,990	67,233
		(492,914)	(1,610,713)
OTHER ITEMS			
Administrative fee and rental income	14	36,400	93,306
Bad debt expense	17	(31,200)	-
Foreign exchange loss		(12,026)	(68,068)
Financing fees and interest	8	(13,205)	(142,369)
Gain on debt settlement	16	68,223	98,817
Interest income and accretion	7	25,286	-
Impairment of exploration assets	7	(788,187)	-
Loss on sale of Vianey property	7	-	(28,092)
Loss from disposition of marketable securities	7	(16,000)	-
NET LOSS		(1,223,623)	(1,657,119)
OTHER COMPREHENSIVE INCOME (LOSS)			
Translation gain (loss)		(27,764)	44,740
Unrealized loss on marketable securities	4	(135,000)	-
COMPREHENSIVE LOSS		(1,386,387)	(1,612,379)
Basic and diluted loss per share		(0.11)	(0.24)
Weighted Average number of outstanding shares		12,147,950	6,661,379

See accompanying notes to the consolidated financial statements

MUSGROVE MINERALS CORP.
Consolidated statement of changes in equity
(Expressed in Canadian dollars)

		Common shares		Reserves					
	Note	Number of shares	Amount	Option reserve	Warrant reserve	Translation reserve	Investment revaluation reserve	Deficit	Total
			$	$	$	$	$	$	$
Balance, December 1, 2010	21	2,918,326	13,210,762	1,517,900	1,448,746	-	-	(14,990,201)	1,187,207
Net loss		-	-	-	-	-	-	(1,657,119)	(1,657,119)
Translation gain		-	-	-	-	44,740	-	-	44,740
Shares issued for cash	9	5,198,466	2,792,478	-	1,106,371	-	-	-	3,898,849
Share issuance costs	9	-	(539,981)	-	223,897	-	-	-	(316,084)
Stock-based compensation	10	-	-	450,349	-	-	-	-	450,349
Balance, November 30, 2011	21	8,116,792	15,463,259	1,968,249	2,779,014	44,740	-	(16,647,320)	3,607,942
Net loss		-	-	-	-	-	-	(1,223,623)	(1,223,623)
Translation loss		-	-	-	-	(27,764)	-	-	(27,764)
Unrealized loss on marketable securities	4	-	-	-	-	-	(135,000)	-	(135,000)
Shares issued for cash	9	6,500,000	376,300	-	208,700	-	-	-	585,000
Shares issued for debt settlement	9	947,582	473,791	-	-	-	-	-	473,791
Balance, November 30, 2012		15,564,374	16,313,350	1,968,249	2,987,714	16,976	(135,000)	(17,870,943)	3,280,346

See accompanying notes to the consolidated financial statements

MUSGROVE MINERALS CORP.
Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Note	Year ended November 30, 2012	2011
		$	$
Operating activities			
Net loss		(1,223,623)	(1,657,119)
Adjustments for non-cash items:			
Amortization		4,223	4,272
Bad debt expense		32,100	-
Gain on debt settlement		(68,223)	(98,817)
Interest income and accretion		(24,460)	-
Impairment of exploration assets		788,187	-
Interest expense		-	33,963
Loss on sale of Vianey property		-	28,092
Loss on disposition of marketable securities		16,000	-
Stock-based compensation		-	450,349
Changes in non-cash working capital items:			
Sales tax receivable		31,228	32,722
Prepaid expenses		(4,167)	10,516
Trade payables and accrued liabilities		(209,456)	652,156
Due to related parties		(15,000)	(343,815)
Net cash flows used in operating activities		(673,191)	(887,681)
Investing activities			
Purchase of term deposit		(70,000)	-
Exploration and evaluation assets acquisition and exploration costs		(940,556)	(1,419,778)
Option payments received for exploration and evaluation assets		1,103,662	-
Proceeds received on sale of Vianey property		125,000	-
Purchase of equipment		(401)	(3,690)
Net cash flows from (used in) investing activities		217,705	(1,423,468)
Financing activities			
Common shares issued for cash		585,000	3,225,265
Repayment of short-term loan		(19,923)	(939,285)
Net cash flows from financing activities		565,077	2,285,980
Effect of foreign exchange		(26,805)	44,740
Increase in cash		109,591	(25,169)
Cash, beginning		21,989	2,418
Cash, ending		104,775	21,989
Non-cash transactions:			
Shares issued for debt	9	473,791	-
400,000 Westridge shares received	7	240,000	-
100,000 Westridge shares disposed	7	44,000	-
Loan payable assigned to Westridge	7	258,000	-

See accompanying notes to the 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's office is located at #200 - 8338 120th Street Surrey, BC, Canada. Its principal activity is the acquisition and exploration of mineral properties in the USA and Mexico. The Company's common shares are traded on the TSX Venture Exchange (the "Exchange") under the symbol "MGS".

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 November 30, 2012, the Company had not advanced its 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 mineral property exploration activities and its ability to attain profitable operations and generate funds from equity and/or debt financing that is sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance the Company's operations over the next twelve months with working capital and additional equity or debt financing, if required.

2. Statement of compliance and conversion to International Financial Reporting Standards

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including IFRS 1, First-time Adoption of IFRS. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 21 discloses the impact of the transition to IFRS on the Company's reported financial position as at December 1, 2010 and November 30, 2011 and comprehensive loss for the year ended November 30, 2011, 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, 2011. This is the first time that the Company has prepared its financial statements in accordance with IFRS. Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP").

These consolidated financial statements were approved and authorized by the Board of Directors on March 27, 2013.

3. Significant accounting policies

Basis of preparation and consolidation

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

These consolidated financial statements include the accounts of the Company and its wholly-owned Mexican subsidiary, Minerales Jazz S.A. de C.V. ("Minerales Jazz"), its wholly owned USA subsidiary, Mugrove Minerals Corp. ("Musgrove USA") and two wholly-owned inactive subsidiaries: Journey Unlimited Equipment Inc. (Canada) and Journey Unlimited Equipment Inc. (USA). All inter-company transactions and balances have been eliminated on consolidation.

3. Significant accounting policies (continued)

Significant accounting judgments and estimates

Significant estimates
The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the useful lives of equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, decommissioning, restoration and similar liabilities and contingent liabilities.

Critical judgements
The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the classification of expenditures as exploration and evaluation expenditures or operating expenses;
- the classification of financial instruments; and
- the determination of the functional currency of the parent company and its subsidiaries.

Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the Company's operating subsidiaries in the USA and Mexico subsidiaries are the US dollar and the Mexican Peso respectively.

Transactions and balances
Foreign currency transactions are translated into 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 (loss) in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income (loss).

3. Significant accounting policies (continued)

Foreign currency translation (continued)

Foreign operations
The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are 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 (loss). These differences are recognized in the profit or loss in the period in which the operation is disposed.

Exploration and evaluation expenditures

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

3. Significant accounting policies (continued)

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. If the consideration exceeds amounts previously capitalized, any excess is recorded in the statement of comprehensive loss.

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.

3. Significant accounting policies (continued)

Financial instruments (continued)

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.

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 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.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

3. Significant accounting policies (continued)

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 the related asset 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 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 the related asset 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 restoration costs, are charged to the statement of comprehensive 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 the statement of comprehensive 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.

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 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.

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Equipment

Equipment is stated at historical cost less accumulated amortization 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.

Amortization is calculated on a basis to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of equipment are as follows:

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

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

Accounting standards issued but not yet effective

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

New standard IFRS 10 "Consolidated Financial Statements"

This new standard will replace IAS 27 "Consolidated and Separate Financial Statements", and SIC-12 "Consolidation – Special Purpose Entities". Concurrent with IFRS 10, the IASB issued IFRS 11 "Joint Ventures"; IFRS 12 "Disclosures of Involvement with Other Entities"; IAS 27 "Separate Financial Statements", which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; and IAS 28 "Investments in Associates and Joint Ventures", which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12, and requires continuous assessment of control over an investee. The above consolidation standards are effective for annual periods beginning on or after January 1, 2013.

3. Significant accounting policies (continued)

Accounting standards issued but not yet effective (continued)

New standard IFRS 11 "Joint Arrangements"

This new standard 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 equity method of accounting whereas for a joint operation the venture 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 lAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers.

New standard IFRS 12 "Disclosure of Interests in Other Entities"

This new standard 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.

New standard IFRS 13 "Fair value measurement"

This new standard replaces the fair value measurement guidance currently included in various other IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements. IFRS 13 is effect for annual periods beginning on or after January 1, 2013.

New interpretation IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

This new IFRIC clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

Amendments to IAS 32 "Financial Instruments: Presentation"

These amendments address inconsistencies when applying the offsetting requirements, and is effective for annual periods beginning on or after January 1, 2014.

Financial statement presentation

In June 2011, the IASB and the Financial Accounting Standards Board ("FASB") issued amendments to standards to align the presentation requirements for other comprehensive income ("OCI"). The IASB issued amendments to IAS 1 "*Presentation of Financial Statements*" to require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are effective for fiscal years beginning on or after July 1, 2012.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on its consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

(Expressed in Canadian dollars)

4. Marketable securities

As at November 30, 2012, the Company's marketable securities comprise of investments in common shares of Canadian public and private companies. The Company designates its marketable securities as available for sale. A summary of the Company's marketable securities are as follows:

	Cost	Unrealized loss	Fair value
	$	$	$
Common shares	180,000	(135,000)	45,000

5. Term deposit

As at November 30, 2012, the Company held a $70,000 guaranteed investment certificate which earns interest at a rate of 1.05% per annum, and matures on August 9, 2013.

6. Equipment

	Computer equipment	Furniture and fixtures	Leasehold improvements	Vehicle	Total
	$	$	$	$	$
Cost:					
At December 1, 2010	10,204	7,291	6,547	5,887	29,929
Additions	3,690	-	-	-	3,690
At November 30, 2011	13,894	7,291	6,547	5,887	33,619
Additions	402	-	-	-	402
At November 30, 2012	14,296	7,291	6,547	5,887	34,021
Amortization:					
At December 1, 2010	8,559	4,055	3,600	2,385	18,599
Charge for the year	1,265	647	1,310	1,050	4,272
At November 30, 2011	9,824	4,702	4,910	3,435	22,871
Charge for the year	2,075	431	1,037	680	4,223
At November 30, 2012	11,899	5,133	5,948	4,115	27,095
Net book value:					
At December 1, 2010	1,645	3,236	2,947	3,502	11,330
At November 30, 2011	4,070	2,589	1,637	2,452	10,748
At November 30, 2012	2,397	2,158	599	1,772	6,926

(Expressed in Canadian dollars)

7. Exploration and evaluation assets

	December 1, 2010	Additions	November 30, 2011	Additions	November 30, 2012
	$	$	$	$	$
Empire Mine Property, U.S.A.					
Acquisition Costs	-	147,474	147,474	44,847	192,321
Exploration Expenditures					-
Administrative	-	46,028	46,028	951	46,979
Assay	-	153	153	12,919	13,072
Drilling	-	165,130	165,130	-	165,130
Field and exploration	-	551,706	551,706	9,867	561,573
Geological	-	341,650	341,650	10,784	352,434
Staking and maintenance fees	-	1,984	1,984	4,945	6,929
Option payments received	-	-	-	(318,730)	(318,730)
	-	1,254,125	1,254,125	(234,417)	1,019,708
Musgrove, U.S.A.					
Acquisition	595,215	49,450	644,665	52,330	696,995
Exploration Expenditures:					
Administrative	85,419	16,167	101,586	-	101,586
Assay	79,244	-	79,244	-	79,244
Drilling	433,931	-	433,931	-	433,931
Field and Exploration	55,322	31,744	87,066	-	87,066
Geochemical Survey	201,249	-	201,249	-	201,249
Geological	176,111	-	176,111	9,641	185,752
Staking and maintenance fees	81,867	13,102	94,969	15,141	110,110
	1,708,358	110,463	1,818,821	77,112	1,895,933
Charay, Mexico					
Acquisition	847,194	354,839	1,202,033	554,772	1,756,805
Exploration Expenditures:					
Assays	13,140	-	13,140	-	13,140
Administrative	-	-	-	10,359	10,359
Engineering	291,061	75,068	366,129	-	366,129
Fees and Permits	19,187	(19,187)	-	-	-
Field and Exploration	24,331	65,842	90,173	-	90,173
Geological	27,407	23,315	50,722	-	50,722
Staking and Maintenance Fees	-	2,400	2,400	-	2,400
Impairment	-	-	-	(788,187)	(788,187)
Option payments received	-	(476,609)	(476,609)	(1,024,932)	(1,501,541)
	1,222,320	25,668	1,247,988	(1,247,988)	-
Vianey, Mexico					
Acquisition	59,068	10,295	69,363	-	-
Exploration Expenditures:					
Administrative	22,812	19,227	42,039	-	-
Engineering	15,000	-	15,000	-	-
Fees and Permits	22,822	-	22,822	-	-
Field and Exploration	118,974	-	118,974	-	-
Geological	47,494	-	47,494	-	-
Disposition	-	(315,692)	(315,692)	-	-
	286,170	(286,170)	-	-	-
Total	3,216,848	1,104,086	4,320,934	(1,405,293)	2,915,641

(Expressed in Canadian dollars)

7. Exploration and evaluation assets (continued)

Empire Mine Property, USA

On July 26, 2011, the Company exercised its options on exploration and lease agreements (the "Underlying 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 is required to:

- 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 (paid);
- Complete metallurgical studies and laboratory analysis by September 1, 2013;
- 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;
- 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 $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 $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 % Net Smelter Return ("NSR") royalty which may be reduced to 1.5% for a payment of US$2,400,000.

During the year ended November 30, 2012, the Company entered into an option agreement with Konnex Resources Inc. ("Konnex"), which was subsequently revised on February 15, 2013 to grant Konnex the option to acquire 100% of the Company's interest in its Empire Mine Property.

To earn an initial 95% interest, Konnex agreed to pay the Company $1,265,000 in cash and issue 2,150,000 Konnex common shares in accordance with the following schedules:

Cash payments	$
April 6, 2012 (received)	40,000
May 10, 2012 (the "Effective Date") (received)	200,000
60 days after the Effective Date (received)	50,000
April 1, 2013	25,000
July 1, 2013	40,000
October 1, 2013	40,000
January 1, 2014	40,000
April 1, 2014	125,000
July 1, 2014	125,000
October 1, 2014	125,000
January 1, 2015	125,000
April 1, 2015	150,000
July 1, 2015	180,000
Total	1,265,000

(Expressed in Canadian dollars)

7. Exploration and evaluation assets (continued)

Empire Mine Property, USA (continued)

Share issuances	Number of shares
November 9, 2012 (received, with a fair value of $Nil)	150,000
April 1, 2013	1,000,000
April 1, 2014	1,000,000
Total	2,150,000

In addition, commencing May 1, 2012, Konnex assumed all the property payments and commitments on the property.

To earn the remaining 5% interest, Konnex has to pay the Company $225,000 on or before July 1, 2015.

Musgrove Creek Property, USA

On June 13, 2007, the Company acquired the Musgrove Creek 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 of US$50,000 per year for the remaining life of the lease. These claims are subject to an underlying 2% production royalty and a lump sum payment of US$350,000 upon completion of a feasibility study. The Company is also required to incur minimum annual exploration expenditures of US$100,000 during the term of the lease. Any excess expenditure incurred in previous years may be carried forward and credited to the subsequent years. As at November 30, 2012, the cumulative expenditure requirements have been met.

The Company deposited a reclamation bond of $5,859 (2011 and 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 (the "Option Agreement") to acquire a 100% interest in the Charay Property located in Sinaloa, Mexico. The property is subject to a 2% NSR upon commencement of commercial production.

Under the agreement, the Company was required to make the following payments:

- Cash payments in the aggregate amount of $205,000 between October 15, 2008 and September 1, 2012;
- Cash payments in the aggregate amount of US$2,874,500 plus applicable taxes between October 15, 2008 and September 1, 2013;
- Issue 1,000,000 common shares by October 20, 2008; and
- Incur exploration expenditures in the aggregate amount of US$1,075,000 plus applicable taxes by September 1, 2012.

On August 8, 2011, the Company entered into an option agreement (the "Westridge 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.

(Expressed in Canadian dollars)

7. Exploration and evaluation assets (continued)

Charay Property, Mexico (continued)

Under the terms of the agreement, Westridge is required to:

- Assume the Company's $258,000 loan payable commencing January 26, 2012 (Note 8);
- Make cash payments in the aggregate of US$2,227,500 plus applicable taxes and pay $140,000 to the Company over the next two years commencing September 1, 2011, representing the option payments due under the Option agreement;
- 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.

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

During the year ended November 30, 2012, the Company received cash proceeds of $784,932 (2011 - $476,609) and 400,000 common shares of Westridge with a fair value of $240,000 from Westridge.

The Company transferred 100,000 of the Westridge shares to the underlying owners of the property as the Company failed to meet certain cash payments and expenditure requirements during the year. The fair value of the shares was $44,000 and the Company recognized a loss on the disposal of the shares of $16,000.

Subsequent to the year ended November 30, 2012, Westridge cancelled the Westridge Agreement. As a result, the Company decided not to pursue the Charay property. As at November 30, 2012, the Company has fully impaired the Charay Property and recorded an impairment charge of $788,187. The Company and Westridge are not obligated to meet any further future commitments under the Option Agreement and the Westridge Agreement.

Vianey Property, Mexico

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 will pay $125,000 upon legal transfer of the concessions on December 1, 2011 (received during the year) 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 $28,092 during the year ended November 30, 2011.

	$
Net present value of cash consideration	287,600
Carrying value	315,692
Loss on sale of mineral property	28,092

Subsequent to year end, the Company received $100,000 due on December 1, 2012.

A continuity of the net present value of the payment receivable is as follows:

	$
Net present value as at November 30, 2011	287,600
Accretion income for the year	24,460
Payment received during the year	(125,000)
Net present value as at November 30, 2012	187,060

(Expressed in Canadian dollars)

8. Short-term loans

	November 30, 2012 $	November 30, 2011 $	December 1, 2010 $
Promissory note (a)	-	-	494,200
Promissory note (b)	-	-	150,000
Promissory note (c)	-	277,923	261,500
Other Short-Term Loans (d)	1,205	4,330	301,875
Short-term loans (continued)	1,205	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. 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 bore interest at 8%, was secured by 100% of the outstanding shares of the Company's subsidiary, Minerales Jazz, and was due on demand. During the year ended November 30, 2012, the Company assigned the note payable to Westridge (Note 5) and repaid the interest accrued on the note.

(d) These loans are unsecured, have no specified terms of repayment and bear interest at rates varying from 0% to 10%.

9. Share capital

Authorized

Unlimited number of common shares without par value.

Issued and Outstanding

On April 16, 2012, the Company consolidated its outstanding common shares on a 5 to 1 basis. All share and per share amounts have been retroactively restated to reflect the stock consolidation.

On May 30, 2012, the Company closed its non-brokered private placement of 6,500,000 units at a price of $0.09 per unit for gross proceeds of $585,000. Each unit is comprised of one common share and one share purchase warrant with each share purchase warrant exercisable to purchase one additional share over a two year period at a price of $0.12 per share; however, if the shares of the Company trade at $0.35 or greater for a period of ten consecutive trading days, the Company may, upon notice to the warrant holders, shorten the exercise period to 30 days from the date of the notice. The fair value of the warrants was estimated to be $208,700.

On February 16, 2012, the Company settled debt of $473,791 by issuing 947,580 common shares with a fair value of $473,790 to the debt holders. No gain or loss was recorded in connection with this settlement.

(Expressed in Canadian dollars)

9. Share capital (continued)

On January 21, 2011, the Company completed a private placement of 3,598,466 units at a price of $0.75 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 $1 for a term of one year. The fair value of these warrants was estimated to be $762,920. 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. The fair value of the finders' warrants was estimated to be $115,575.

On July 5, 2011, the Company closed a non-brokered private placement of 1,600,000 units at a price of $0.75 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 $1 for two years. The fair value of these warrants was estimated to be $343,451. 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. The fair value of the finders' warrants was estimated to be $108,322.

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

	2012	2011
Risk-free interest rate	1.31%	1.55%-1.57%
Expected volatility	112%	241%-315%
Expected life	2 years	1-2 years
Dividend yield	0%	0%

10. 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.

During the year ended November 30, 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 was estimated to be $450,349.

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

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

The summary of the outstanding option as at November 30, 2012 is as follows:

Exercise Price	Expiry Date	Number
$12.80	February 1, 2013	3,750
$ 4.00	April 2, 2014	20,000
$ 4.00	June 1, 2014	17,500
$ 1.00	February 15, 2016	360,000
		401,250

(Expressed in Canadian dollars)

10. Stock options (continued)

The continuity of the Company's stock option is as follows:

Balance, December 1, 2010	57,500
Granted	360,000
Expired	(2,500)
Forfeited	(7,500)
Balance, November 30, 2011	407,550
Expired	(6,300)
Balance, November 30, 2012	401,250

As at November 30, 2012 the Company had 401,250 options outstanding and exercisable with a weighted average price of $1.39 and a weighted average remaining life of 3.01 years.

11. Warrants

The summary of the outstanding warrants as at November 30, 2012 is as follows:

Exercise Price	Expiry Date	Number of Warrants
$1.00	July 5, 2013	950,077
$0.12	May 31,2014	6,500,000
		7,450,077

A continuity of warrants outstanding is as follows:

Balance, December 1, 2010	1,582,361
Issued	2,873,263
Expired	(3,912,532)
Balance, November 30, 2011	3,912,533
Issued	6,500,000
Expired	(2,962,456)
Balance, November 30, 2012	7,450,077

As at November 30, 2012, the Company had 7,450,077 share purchase warrants outstanding and exercisable with a weighted average price of $0.23 and a weighted average remaining life of 1.38 years.

12. Reserves

Option reserve
The 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 will remain in the account.

Warrant reserve
The warrant reserve records the fair value of warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded will remain in the account.

Foreign currency translation reserve
The foreign currency translation reserve records unrealized exchange differences arising on translation of foreign operations that have a functional currency other than the Company's reporting currency.

Investment revaluation reserve
The investment revaluation reserve records unrealized gains and losses arising on available-for-sale financial assets, except for impairment losses and foreign exchange gains and losses on monetary items.

(Expressed in Canadian dollars)

13. Accounts payable and accrued liabilities

	2012	2011
	$	$
Trade payables	66,453	782,898
Accrued liabilities	18,200	18,000
	84,653	800,898

14. Related party transactions

The Company incurred the following transactions with companies that are controlled by directors of the Company:

	2012	2011
	$	$
Director's fees	27,250	-
Administrative fee and rental income	-	93,306

Key management compensation

	2012	2011
	$	$
Management fees	67,500	97,500
Consulting fees	-	46,250

As at November 30, 2012, $Nil (2011 - $15,000) was owing to directors of the Company.

15. Segmented information

Operating segments

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

Geographic segments

The following non-current assets are located in the following countries:

	As at November 30, 2012			
	Canada	**Mexico**	**USA**	**Total**
	$	$	$	$
Equipment	6,926	-	-	6,926
Exploration and evaluation assets	-	-	2,915,641	2,915,641
Reclamation bond	-	-	5,859	5,859
	6,926	-	2,921,500	2,928,426

	As at November 30, 2011			
	Canada	**Mexico**	**USA**	**Total**
	$	$	$	$
Equipment	10,748	-	-	10,748
Exploration and evaluation assets	-	1,247,988	3,072,946	4,320,934
Mineral property payment receivable	-	162,600	-	162,600
Reclamation bond	-	-	6,818	6,818
	10,748	1,410,588	3,079,764	4,501,100

(Expressed in Canadian dollars)

16. Gain on debt settlement

During the year ended November 30, 2012, debts of $68,223 was forgiven and the Company recognized a gain of the same amount (2011 - $98,817).

17. Bad debt expense

During the year ended November 30, 2012, the Company assessed that $32,100 of accounts receivable on its administrative fee and rental income was uncollectible and a provision for bad debt of the same amount has been recorded.

18. Income taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2012 $	2011 $
Net loss	(1,223,623)	(1,657,119)
Statutory tax rate	25%	26.5%
Expected income tax recovery	(305,906)	(439,137)
Permanent differences	56,873	(6,235)
Change in valuation allowance	292,723	662,558
Effect of change in tax rates	(43,690)	(217,186)
Income tax recovery	-	-

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	2012 $	2011 $
Deferred income tax assets		
Non-capital losses carry-forward	2,222,593	2,138,996
Capital losses carry-forward	43,350	38,365
Equipment	6,674	5,718
Mineral properties	983,165	746,711
Share issue costs	72,829	106,098
	(3,328,611)	(3,035,888)
Valuation allowance	(3,328,611)	(3,035,888)
Net deferred income tax assets	-	-

As at November 30, 2012, the Company has Canadian non-capital losses of approximately $9,050,250 (2011 - $8,543,614) 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	1,420,839
2032	644,769
	9,050,250

19. Financial instruments and 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 cause a financial loss for the other party by failing to discharge an obligation. The Company's primary exposure to credit risk is on its cash and short-term investment. As all of the Company's cash and term deposit are held with a Canadian chartered bank, there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to risk is on its sales taxes receivable from the Canadian and Mexican government; as such, the credit risk is minimal.

Liquidity Risk
Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and its term deposit.

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.

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. 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.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal.

Classification of financial instruments
Financial assets included in the statement of financial position are as follows:

	November 30, 2012	November 30, 2011
	$	$
Loans and receivables:		
Cash	104,775	21,989
Short-term investment	70,000	-
Property payment receivable	187,060	287,600
Available for sale financial assets:		
Marketable securities	45,000	-
	406,835	309,589

(Expressed in Canadian dollars)

19. Financial instruments and financial risk management (continued)

Financial liabilities included in the statement of financial position are as follows:

	November 30, 2012	November 30, 2011
	$	$
Non-derivative financial liabilities:		
Trade payables	66,453	782,898
Due to related parties	-	15,000
Short-term loans	1,205	282,253
	67,658	1,080,151

Fair value
The fair value of the Company's financial assets and liabilities approximates the carrying amount due to their short-term nature.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at November 30, 2012 and 2011:

	As at November 30, 2012		
	Level 1	Level 2	Level 3
	$	$	$
Cash	104,775	-	-
Term deposit	70,000	-	-
Marketable securities	45,000	-	-
	219,775	-	-

	As at November 30, 2011		
	Level 1	Level 2	Level 3
	$	$	$
Cash	21,989	-	-

20. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the exploration and development of its exploration and evaluation assets and to sustain future development of the business. The capital structure of the Company consists of share and working capital.

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.

(Expressed in Canadian dollars)

21. Transition to IFRS

These are the Company's first annual financial statements prepared in accordance with IFRS as issued by the IASB. The policies set out in Note 3, Significant Accounting Policies, have been applied in preparing the statements of financial position for the years ended November 30, 2011 and December 1, 2010 and the statement of comprehensive loss for the year ended November 1, 2011. The Company adopted IFRS on December 1, 2011 with a transition date of December 1, 2010.

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 December 1, 2010.
- In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under CGAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of December 1, 2010 are consistent with its CGAAP estimates for the same date.

Impact of IFRS Transition

Reconciliations to the statement of financial position as at December 1, 2010:

	CGAAP	Reconciliation	IFRS
	$	$	$
Exploration and evaluation assets	3,381,598	(164,750)	3,216,848
Deferred gain on contribution to joint venture	164,750	(164,750)	-

Reconciliations to the statement of financial position as at November 31, 2011:

	CGAAP	Reconciliation	IFRS
	$	$	$
Translation reserve	-	44,740	44,740
Deficit	(16,602,580)	(44,740)	(16,647,320)

Reconciliations to the statement of comprehensive loss for the year ended November 31, 2011:

	CGAAP	Reconciliation	IFRS
	$	$	$
Amortized gain on contribution to joint venture	164,750	(164,750)	-
Loss on sale of Vianey property	(192,842)	164,750	(28,092)
Foreign exchange loss	(23,328)	(44,740)	(68,068)

21. Transition to IFRS (continued)

Notes to the reconciliation

Reserves

Option reserve and warrant reserve
Under CGAAP, items recognized as stock-based compensation expense and other share-based payments were recorded in contributed surplus until such time that the stock options or warrants are exercised, at which time the corresponding amount was transferred to share capital. Upon the transition to IFRS, these items are recorded in the option and warrant reserves.

Foreign currency translation

Upon the transition to IFRS, the Company has determined the functional currency of Minerales Jazz to be the Mexican Peso and Musgrove USA to be the US dollar. As a result of this, the assets and liabilities of the subsidiaries have been translated at the balance sheet date at the year end closing rate and income and expenses have been translated at average exchange rates for the year. The exchange differences arising on the translation are recognized in other comprehensive income (loss) and recorded in the Company's foreign currency translation reserve in equity. The impact on the statement of financial position as at November 30, 2011 is an increase to deficit of $44,740 and an increase to the foreign translation reserve of $44,740. The impact on the statement of comprehensive loss for the year ended November 30, 2011 is an increase to foreign exchange loss of $44,740.

Joint arrangements

Upon transition to IFRS, the Company determined that the Vianey property, which was previously accounted for as a joint venture under CGAAP, did not meet the definitions of a joint arrangement under IFRS 11. As a result of this, the deferred gain on the contribution towards the Vianey property is not recognized. The impact on the financial position as at December 1, 2010 is a decrease of $164,750 in exploration and evaluation assets and deferred gain on contribution to the joint venture. The impact to the statement of comprehensive loss upon the sale of the Vianey property during the year ended November 30, 2011 is a decrease of $164,750 to the amortized gain on the contribution to the joint venture and to the loss on the sale of the Vianey property.