



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**Second Quarter 2013**

(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 financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by management, and were not reviewed by the Company's independent auditor.

**MUSGROVE MINERALS CORP.**  
**Condensed interim consolidated statements of financial position**  
**(Unaudited - Expressed in Canadian dollars)**

	Note	May 31, 2013	November 30, 2012
<b>ASSETS</b>			
<b>Current</b>			
Cash		139,749	104,775
Term deposit	5	70,000	70,000
Marketable securities	4	7,200	45,000
Mineral property payment receivable	7	93,250	187,060
Other receivables		14,273	15,930
Prepaid expenses		-	15,013
		324,472	437,778
<b>Non-current</b>			
Equipment	6	4,951	6,926
Exploration and evaluation assets	7	2,892,672	2,915,641
Reclamation bond	7	5,859	5,859
		2,903,482	2,928,426
<b>TOTAL ASSETS</b>		3,227,954	3,366,204
<b>LIABILITIES</b>			
<b>Current</b>			
Payables and accrued liabilities	13	78,610	84,653
Due to related parties	14	80,000	-
Short-term loans	8	1,205	1,205
		159,815	85,858
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	16,313,350	16,313,350
Reserves	10,11	4,798,924	4,837,939
Deficit		(18,044,135)	(17,870,943)
		3,068,139	3,280,346
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		3,227,954	3,366,204

**Note 1: Nature of business and continuance**

**APPROVED FOR ISSUANCE BY THE BOARD OF DIRECTORS**

“Norman Brewster”

**Director**

“Rana Vig”

**Director**

– See Accompanying Notes to the condensed interim consolidated financial statements –

**MUSGROVE MINERALS CORP.****Condensed interim consolidated statement of comprehensive loss****(Unaudited - Expressed in Canadian dollars)**

		Three months ended May 31,		Six months ended May 31,	
		2013	2012	2013	2012
	Note	\$	\$	\$	\$
<b>EXPENSES</b>					
Amortization	6	1,716	966	3,432	1,933
Advertisement and promotion		-		1,900	-
Consulting fees		5,150	13,644	8,150	18,664
Filing and transfer agent fees		8,623	21,144	9,874	24,672
Professional fees		1,980	15,798	7,830	20,797
Management fees	14	30,000	27,500	115,000	37,500
Miscellaneous property exploration		2,085	4,857	6,125	4,857
Office		4,820	8,225	14,685	20,772
Rent		-	38,742	10,896	52,198
Travel		1,224	2,715	2,990	4,726
<b>LOSS BEFORE OTHER ITEMS</b>		<b>(55,598)</b>	<b>(133,591)</b>	<b>(180,882)</b>	<b>(186,119)</b>
Foreign exchange loss		-	(93,800)	-	(64,730)
Gain on debt settlement		-	15,074	-	46,501
Interest income (expenses) and accretion	7	3,227	(14,413)	6,190	(9,939)
Other income		-	8,250	1,500	8,250
Rental income		-	27,000	-	27,000
<b>NET LOSS</b>		<b>(52,371)</b>	<b>(191,480)</b>	<b>(173,192)</b>	<b>(179,037)</b>
<b>Basic and diluted loss per share</b>		<b>(0.00)</b>	<b>(0.02)</b>	<b>(0.01)</b>	<b>(0.02)</b>
<b>Weighted Average number of outstanding shares</b>		<b>15,564,374</b>	<b>8,316,692</b>	<b>15,564,374</b>	<b>8,316,692</b>
<b>COMPREHENSIVE LOSS</b>					
Net loss for the period		(52,371)	(191,480)	(173,192)	(179,037)
Other Comprehensive loss :					
Translation loss		(4,284)	-	(1,215)	-
Unrealized loss of marketable securities	4	(10,800)	(84,000)	(37,800)	(84,000)
Comprehensive loss for the period		(67,455)	(275,480)	(212,207)	(263,037)

- See Accompanying Notes to the condensed interim consolidated financial statements -

**MUSGROVE MINERALS CORP.**  
**Condensed interim consolidated statements of cash flows**  
**(Unaudited - Expressed in Canadian dollars)**

	Note	Six months ended May 31,	
		2013	2012
		\$	\$
<b>Operating activities</b>			
Net loss		(173,192)	(179,037)
Adjustments for non-cash items:			
Amortization		3,432	1,933
Accretion, accrued interest, financing fees	7	(6,190)	-
Gain on debt settlement		-	(46,501)
Changes in non-cash working capital items:			
Accounts receivable		1,657	77,502
Change in due to related parties		80,000	(15,000)
Prepaid		15,013	-
Payables and accrued liabilities		(7,258)	(215,550)
Net cash flows used in operating activities		(86,538)	(376,653)
<b>Investing activities</b>			
Acquisition of equipment		(1,457)	-
Acquisition of exploration and evaluation assets	7	(2,031)	(416,035)
Disposition of exploration and evaluation assets	7	25,000	946,532
Net cash flows from (used in) investing activities		21,512	530,497
<b>Financing activities</b>			
Receipt of mineral property payment receivable	7	100,000	-
Short-term loan - repayment		-	(282,253)
Shares issuance for cash		-	239,726
Net cash flows from financing activities		100,000	(42,527)
Increase in cash		34,974	111,317
Cash, beginning of period		104,775	21,989
<b>Cash, end of period</b>		<b>139,749</b>	<b>133,306</b>
Non-cash transactions:			
Shares issued for debt		-	473,791
400,000 Westridge shares received		-	240,000
100,000 Westridge shares disposed, which was added to the cost of acquisition of exploration and evaluation assets		-	44,000

**MUSGROVE MINERALS CORP.**

**Condensed interim consolidated statements of changes in equity  
(Unaudited - Expressed in Canadian dollars)**

	Note	Number of shares	Share capital	Share subscription receivable	Reserves				Deficit	Equity attributed to shareholders
					Investment revaluation reserve	Translation reserve	Option reserve	Warrant reserve		
			\$	\$	\$	\$	\$	\$	\$	\$
Restated balance at November 30, 2011		8,116,792	15,463,259	-	-	44,740	1,968,249	2,779,014	(16,647,320)	3,607,942
Share issuance for cash		6,500,000	376,300	(345,274)	-	-	-	208,700	-	239,726
Share issuance for debt		947,582	473,790	-	-	-	-	-	-	473,790
Expiry - warrants and options		-	2,327,241	-	-	-	-	(2,327,241)	-	-
Unrealized loss on marketable securities	4	-	-	-	(84,000)	-	-	-	-	(84,000)
Loss for the period		-	-	-	-	-	-	-	(179,037)	(179,037)
<b>Balance at May 31, 2012</b>		<b>15,564,374</b>	<b>18,640,590</b>	<b>(345,274)</b>	<b>(84,000)</b>	<b>44,740</b>	<b>1,968,249</b>	<b>660,473</b>	<b>(16,826,357)</b>	<b>4,058,421</b>

	Note	Number of shares	Share capital	Share subscription receivable	Reserves				Deficit	Equity attributed to shareholders
					Investment revaluation reserve	Translation reserve	Option reserve	Warrant reserve		
			\$	\$	\$	\$	\$	\$	\$	\$
Balance at November 30, 2012		15,564,374	16,313,350	-	(135,000)	16,976	1,968,249	2,987,714	(17,870,943)	3,280,346
Loss for the period		-	-	-	-	-	-	-	(173,192)	(173,192)
Unrealized loss on marketable securities	4	-	-	-	(37,800)	-	-	-	-	(37,800)
Translation gain		-	-	-	-	(1,215)	-	-	-	(1,215)
<b>Balance at May 31, 2013</b>		<b>15,564,374</b>	<b>16,313,350</b>	<b>-</b>	<b>(172,800)</b>	<b>15,761</b>	<b>1,968,249</b>	<b>2,987,714</b>	<b>(18,044,135)</b>	<b>3,068,139</b>

– See Accompanying Notes to the Consolidated Financial Statements –

## **Musgrove Minerals Corp**

Notes to the condensed interim consolidated financial statements

Second quarter, 2013

(Unaudited - Expressed in Canadian dollars)

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### **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 condensed interim 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 May 31, 2013, 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 condensed consolidated interim financial statements for the six months ended May 31, 2013 (the “Interim Financial Report”) have been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

This Interim Financial Report is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. Certain disclosures required in annual financial statements have been condensed or omitted. It is therefore recommended that these Interim Financial Report be read in conjunction with the most recent audited annual consolidated financial statements of the Company for the year ended November 30, 2012.

This Interim Financial Report has been approved and authorized by the Board of Directors on July 27, 2013.

### **3. Significant accounting policies**

#### **Basis of preparation and consolidation**

This Interim Financial Report has been prepared on an accrual basis and is based on historical costs, modified where applicable. This Interim Financial Report is presented in Canadian dollars unless otherwise noted.

This Interim Financial Report includes 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, Musgrove 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.

## Musgrove Minerals Corp

Notes to the condensed interim consolidated financial statements

Second quarter, 2013

(Unaudited - Expressed in Canadian dollars)

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### 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.

#### Change of accounting policies

The Company has not adopted new accounting policies since its most recent year ended November 30, 2012. Following are new accounting pronouncement issued but not implemented. The Company is currently evaluating the impacts of these changes.

##### ***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.



## **Musgrove Minerals Corp**

Notes to the condensed interim consolidated financial statements

Second quarter, 2013

(Unaudited - Expressed in Canadian dollars)

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### **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 IAS 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.

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.

**Musgrove Minerals Corp**

Notes to the condensed interim consolidated financial statements

Second quarter, 2013

(Unaudited - Expressed in Canadian dollars)

**4. Marketable securities**

As at May 31, 2013 and 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 and the carrying value of such investment were marked to market on each reporting date. As a result, the Company recorded \$37,800 un-realized loss to the Company's other comprehensive loss for the six months ended May 31, 2013. A summary of the Company's marketable securities are as follows:

<b>May 31, 2013</b>	<b>Cost</b>	<b>Unrealized loss</b>	<b>Fair value</b>
	\$	\$	\$
Common shares	180,000	(172,800)	7,200

  

<b>November 30, 2012</b>	<b>Cost</b>	<b>Unrealized loss</b>	<b>Fair value</b>
	\$	\$	\$
Common shares	180,000	(135,000)	45,000

**5. Term deposit**

As at May 31, 2013 and 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**

The continuity of the Company's equipment is as follows:

	<b>Computer equipment</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Vehicle</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Cost:</b>					
At November 30, 2012	14,296	7,291	6,547	5,887	34,021
Additions	1,457	-	-	-	1,457
At May 31, 2013	15,753	7,291	6,547	5,887	35,478
<b>Amortization:</b>					
At November 30, 2012	11,899	5,133	5,948	4,115	27,095
Charge for the period	1,260	864	599	709	3,432
At May 31, 2013	13,159	5,997	6,547	4,824	30,527
<b>Net book value:</b>					
At November 30, 2012	2,397	2,158	599	1,772	6,926
At May 31, 2013	2,594	1,294	-	1,063	4,951

**Musgrove Minerals Corp**

Notes to the condensed interim consolidated financial statements

Second quarter, 2013

(Unaudited - Expressed in Canadian dollars)

**7. Exploration and evaluation assets**

The continuity of the Company's exploration and evaluation assets is as follows:

	November 30, 2011	Additions	November 30, 2012	Additions	May 31, 2013
	\$	\$	\$	\$	\$
<b><u>Empire Mine Property, U.S.A.</u></b>					
Acquisition Costs	147,474	44,847	192,321	-	192,321
Exploration Expenditures			-		-
Administrative	46,028	951	46,979	-	46,979
Assay	153	12,919	13,072	-	13,072
Drilling	165,130	-	165,130	-	165,130
Field and exploration	551,706	9,867	561,573	-	561,573
Geological	341,650	10,784	352,434	-	352,434
Staking and maintenance fees	1,984	4,945	6,929	1,136	8,065
Option payments received	-	(318,730)	(318,730)	(25,000)	(343,730)
	1,254,125	(234,417)	1,019,708	(23,864)	995,844
<b><u>Musgrove, U.S.A.</u></b>					
Acquisition	644,665	52,330	696,995	-	696,995
Exploration Expenditures:					-
Administrative	101,586	-	101,586	-	101,586
Assay	79,244	-	79,244	-	79,244
Drilling	433,931	-	433,931	-	433,931
Field and Exploration	87,066	-	87,066	-	87,066
Geochemical Survey	201,249	-	201,249	-	201,249
Geological	176,111	9,641	185,752	-	185,752
Staking and maintenance fees	94,969	15,141	110,110	895	111,005
	1,818,821	77,112	1,895,933	895	1,896,828
<b><u>Charay, Mexico</u></b>					
Acquisition	1,202,033	554,772	1,756,805	-	1,756,805
Exploration Expenditures:					-
Assays	13,140	-	13,140	-	13,140
Administrative	-	10,359	10,359	-	10,359
Engineering	366,129	-	366,129	-	366,129
Field and Exploration	90,173	-	90,173	-	90,173
Geological	50,722	-	50,722	-	50,722
Staking and Maintenance Fees	2,400	-	2,400	-	2,400
Impairment	-	(788,187)	(788,187)	-	(788,187)
Option payments received	(476,609)	(1,024,932)	(1,501,541)	-	(1,501,541)
	1,247,988	(1,247,988)	-	-	-
<b>Total</b>	4,320,934	(1,405,293)	2,915,641	(22,969)	2,892,672

**Musgrove Minerals Corp**

Notes to the condensed interim consolidated financial statements

Second quarter, 2013

(Unaudited - 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.

During the year ended November 30, 2012, the Company entered into an option agreement with Konnex Resources Inc. ("Konnex"), which was revised on February 15, 2013 to grant Konnex the option to acquire 100% of the Company's interest in its Empire Mine Property. Commencing May 1, 2012, Konnex assumed all the property payments and commitments on the 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, which was amended in June 2013:

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 (received)	25,000
Was July 1, 2013 and extended to August 1, 2013 in June 2013 amendment	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
<b>Total</b>	<b>1,265,000</b>

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

On April 1, 2013, the Company received \$25,000 cash and one million (1,000,000) common shares of Konnex. Konnex is a private company and the fair value of its common shares cannot be determined. As a result, the Company has recorded \$nil to Empire Mine Property to account for the receipt of these one million Konnex common shares.

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

## Musgrove Minerals Corp

Notes to the condensed interim consolidated financial statements

Second quarter, 2013

(Unaudited - Expressed in Canadian dollars)

### 7. Exploration and evaluation assets (continued)

#### 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.

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. On June 6, 2013, the annual lease was amended as follows:

• June 12, 2013	\$ 10,000 (Paid)
• December 12, 2013	\$ 10,000
• June 12, 2014	\$ 10,000
• December 12, 2014	\$ 10,000
• June 12, 2015	\$110,000
• June 12, 2016 and each year thereafter	\$ 50,000

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 ("Annual Requirement") during the term of the lease. On June 6, 2013, this Annual Requirement was amended to "The Company shall not be obligated to incur Annual Requirement from May 1, 2013 to April 30, 2016. Beginning with the lease year from May 1, 2016, and during each subsequent lease year; the Company shall be obligated to incur Annual Requirement for each lease year."

The Company deposited a reclamation bond of \$5,859 in April 2006 for future mineral claim site reclamation costs.

#### Vianey Property, Mexico

On June 7, 2011, the Company signed an agreement with Grand Peak Capital Corp. to dispose the Company's 50% interest in the Vianey mine concession (located in Guerrero State, Mexico) for \$325,000. The Company received \$125,000 in fiscal 2012 and \$100,000 in the first quarter of 2013. The Company expects to receive the remaining balance of \$100,000 on December 1, 2013.

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
Accretion income earned	6,190
Payment received	(100,000)
Net present value as at May 1, 2013	93,250

### 8. Short-term loans

As at May 31, 2013 and November 30, 2012, the Company's short-term loans comprise of short term loans in an amount of \$1,205. These loans are unsecured, have no specified terms of repayment and bear interest at rates varying from 0% to 10%.

**Musgrove Minerals Corp**

Notes to the condensed interim consolidated financial statements

Second quarter, 2013

(Unaudited - Expressed in Canadian dollars)

**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.

The Company did not issue nor redeem any common shares during the six months ended May 31, 2013. The number of outstanding shares was 15,564,374 on May 31, 2013 and November 30, 2012.

**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.

The summary of the outstanding option as at May 31, 2013 is as follows:

Exercise Price	Expiry Date	Number
\$ 1.00	February 15, 2016	50,000

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

Balance, November 30, 2011	407,550
Expired	(6,300)
Balance, November 30, 2012	401,250
Expired and cancelled	(351,250)
Balance, May 31, 2013	50,000

As at May 31, 2013 the Company had 50,000 options outstanding and exercisable with a weighted average price of \$1.00 and a weighted average remaining life of 2.78 years.

**11. Warrants**

The summary of the outstanding warrants as at May 31, 2013 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

There was no warrant issuance, exercise, nor expiry during six months ended May 31, 2013. As at May 31, 2013 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 0.88 years.

**Musgrove Minerals Corp**

Notes to the condensed interim consolidated financial statements

Second quarter, 2013

(Unaudited - Expressed in Canadian dollars)

**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.

**13. Accounts payable and accrued liabilities**

	<b>2013/5/31</b>	<b>2012/11/30</b>
	\$	\$
Trade payables	70,110	66,453
Accrued liabilities	8,500	18,200
	<b>78,610</b>	<b>84,653</b>

**14. Related party transactions**

During six months ended May 31, 2013, the Company was charged management fees of \$115,000 by a company controlled by the Company's CEO (also a director), of which \$35,000 was paid and \$80,000 (2012/11/30- \$Nil) was still outstanding as at May 31, 2013.

There was no transaction with other directors who are not the Company's officers.

**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:

	<b>As at May 31, 2013</b>			
	<b>Canada</b>	<b>Mexico</b>	<b>USA</b>	<b>Total</b>
	\$	\$	\$	\$
Equipment	4,951	-	-	4,951
Exploration and evaluation assets	-	-	2,892,672	2,892,672
Reclamation bond	-	-	5,859	5,859
	<b>4,951</b>	<b>-</b>	<b>2,898,531</b>	<b>2,903,482</b>

**Musgrove Minerals Corp**

Notes to the condensed interim consolidated financial statements

Second quarter, 2013

(Unaudited - Expressed in Canadian dollars)

**15. Segmented information (Continued)**

	As at November 30, 2012			Total
	Canada	Mexico	USA	
	\$	\$	\$	\$
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