# Musgrove Minerals Corp.

# Management Discussion And Analysis
# Nine months ended August 31, 2013

**Date and Subject of the Report**

The following Management's Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of the operations of Musgrove Minerals Corp. ("Musgrove" or the "Company") for the nine months ended August 31, 2013 ("2013 Nine Months").

The Company's prior consolidated financial statements before fiscal 2012 were prepared in accordance with Canadian Generally Accepted Accounting Principles (the "Canadian GAAP" or "CGAAP"). Effective December 1, 2011 the Company adopted International Financial Reporting Standards ("IFRS") as required by the Canadian Institute of Chartered Accountants. In accordance with these requirements the transition date for implementation of IFRS was December 1, 2010. Except as otherwise noted, all amounts reported in this MD&A and have been restated or reclassified to conform to IFRS.

This MD&A should be read in conjunction with the Company's condensed interim consolidated financial statements for the Company's third quarter of 2013 ("2013 Q3 Financial Statements") and the Company's audited consolidated financial statements for the most recent year ended November 30, 2012. This MD&A has been prepared effective as of October 25, 2013.

Additional information relating to the Company is available *on the SEDAR website at www.sedar.com*

*FORWARD LOOKING STATEMENTS*

*Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are generally, but not always, identified by the use of forward-looking terminology such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "projects", "potential", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will be taken", "occur" or "be achieved".*

*Forward-looking statements are based on the opinions and estimates of management on the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the exploration and acquisition of resources properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated costs and expenses, changes in and the effect of government policies, the ability to obtain required permits, delays in exploration projects and the possibility of adverse development in the financial markets, uncertainties relating to the availability and costs of financing needed in the future, and other factors described in this report. Although the Company believes the expectations expressed in its forward-looking statements are based on reasonable assumptions, there can be no assurance that such forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on such statements.*

*The Company reviews its forward-looking statements on an ongoing basis and updates this information when circumstances require it.*

*The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.*

| *Forwarding looking statements* | *Assumptions* | *Risk factors* |
|---|---|---|
| *On August 31, 2013, the Company had a cash balance of $220,163 and a working capital of $170,173. Cash used in the operating activities during 2013 Nine Months was $119,875. As the Company is curtailing its operations, management believes the current liquidity on hand is sufficient to maintain the Company's operations in the near future.* | *Based on the cash used for operating activities during 2013 Nine Months, management projects the cash on hands is sufficient to support the company's core operations in the near future if the Company keeps curtailing its operations.* | *Unexpected significant operating or investing expenditures that may incur in the future* |
| *Management plans to obtain additional financing through private placements, debt from related parties, or new farm-out / joint-venture arrangements in connection with the mineral assets on hands. The Company has a history to obtain financing required through debt or equity financing in the past; however there is no guarantee that the Company can do this in the future.* | *Based on the past history of the Company, the Company was able to raise funds when needed through either private placement or debt financing* | *Change in interest rate, support by related parties, change in condition of capital market* |
| *During 2013 Nine Months, the Company received $100,000 which was the second installment payment in connection with the Company's disposition of mineral properties in 2011. The Company expects to receive the final installment of $100,000 by December 2013.* | *Management's expectation has been made based on the terms of the agreement made in connection with the sale of the company's exploration properties* | *Ability of payment of the purchaser.* |

**<u>Overall Performance</u>**

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. The Company's common shares are traded on the TSX Venture Exchange (the "TSX Exchange") under the symbol MGS and on the OTC market (Symbol: MGSGF) and Frankfurt (Symbol JL4M).

The Company is an exploration stage company with its principal business being the acquisition, exploration, and development of mineral properties. The Company has interests in various mineral properties in USA and Mexico.

The Company is an exploration stage company, has had recurring losses since inception, and has been financing the Company's operations through debt and equity financing in the past. As at August 31, 2013, the Company had a working capital of $170,173. The current resources on hand are not adequate for the Company neither to meet its long term business objective nor to conduct any significant exploration activities on the existing mineral properties. It is management's assessment that raising money from the current depressed capital market will be difficult. In order to preserve the cash on hand, management decided to curtail the Company's operations commencing fiscal 2012 and will not conduct significant exploration activities until the Company has resources to finance such exploration activities.

Management plans to obtain additional financing through private placements, debt from related parties, or new farm-out / joint-venture arrangements in connection with the mineral assets on hands. The Company has a history to obtain financing required through debt or equity financing in the past; however there is no guarantee that the Company can do this in the future.

## Discussion of Operation

The Company is an exploration stage company which does not have mineral properties in production. As a result, the Company has not earned revenue from its operation since inception, and does not expect to earn revenue from its operation in the near future.

### Mineral Properties

All of the Company's mineral properties are in their exploration stages. Following are descriptions of the Company's mineral properties and their progress during the 2013 Nine Months. The capital commitments in connection with the Company's mineral properties are also summarized in the section "Capital Resources". All of the Company's mineral properties are in good standing as at August 31, 2013.

The details about the exploration costs incurred during the 2013 Nine Months and for the year 2012 are presented in Note7 to the Company's 2013 Q3 Financial Statements.

Musgrove Creek Gold Property, U.S.A.

Located in a historic gold mining district, Musgrove Creek is an advanced gold exploration project covering nearly 1,500 acres in Lemhi County, Idaho, approximately 15 miles (24 km) southwest of the Beartrack gold deposit.

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

Two 43-101 reports published in 2006 and 2008, historical drilling results, and other information of the Musgrove Creek Gold Property are available at the Company's website *(http://www.musgroveminerals.com).*

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 — US$ 10,000 (paid)
- December 12, 2013 — US$ 10,000
- June 12, 2014 — US$ 10,000
- December 12, 2014 — US$ 10,000
- June 12, 2015 — US$ 110,000
- June 12, 2016 and each year thereafter — US$ 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."

During 2013 Nine Months the Company did not perform significant exploration work in order to preserve cash. The Company is considering various options with regards to this property. Unless the Company is able to raise adequate financing to support further exploration, management does not expect to proceed with further exploration activities.

Empire Mine Property, U.S.A.

The Empire mine project ("Empire Mine Property"), which consists of 26 patented mining claims, six mill-site claims and 21 unpatented mining claims, is a polymetallic skarn deposit containing copper, zinc, gold and silver.

The project is located in the Alder Creek mining district in Custer County, Idaho, approximately three miles west of Mackay, Idaho.

On July 26, 2011, the Company exercised its options on exploration and lease agreements with two arm's length parties ("Empire Mine Optionors") to earn a 100% operating interest of Empire Mine Property. The lease has a term of 12 years.

Historical drilling results, a 43-101 technical report published in 2006, and other information on the Empire Mine Property are available on the Company's website.

In order to finance the exploration activities of the Empire Mine Property, the Company entered into an option agreement with Konnex Resources Inc. ("Konnex"). On September 19, 2013, the Company entered into an amended agreement with Konnex and Boxxer gold Corp. ("Boxxer"), a public company listed on the TSX Venture Exchange, which is also the parent company of Konnex. (collectively the "Empire Mine Optionee"). Pursuant to this amended agreement, the Empire Mine Optionee can earn an initial 95% interest of the Empire Mine by making cash payments and shares issuance. Details are as follow:

| **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 |
| September 10, 2013 (received in October, 2013) | 10,000 |
| October 1, 2013 (received in October, 2013) | 10,000 |
| January 1, 2014 | 10,000 |
| April 1, 2014 | 10,000 |
| July 1, 2014 | 100,000 |
| October 1, 2014 | 100,000 |
| January 1, 2015 | 100,000 |
| April 1, 2015 | 100,000 |
| July 1, 2015 | 510,000 |
| Total | 1,265,000 |

| **Share issuances** | Number of Boxxer Shares | Number of Konnex Shares |
|---|---:|---:|
| November 9, 2012 (received, with a fair value of $Nil) | - | 150,000 |
| April 1, 2013 (received) | - | 1,000,000 |
| October 30, 2013 | 2,000,000 | - |
| April 30, 2014 | 1,000,000 | - |
| October 30, 2014 | 3,000,000 | - |
| Total | 6,000,000 | 1,150,000 |

During the 2013 Nine Months, the Company received $25,000 cash and 1,000,000 common shares of Konnex ("Konnex Shares"). In July and August 2013, the Company sold 1,075,000 Konnex Shares out of the 1,150,000 Konnex Shares on hand to parties not related to the Company for gross proceeds of $53,750. As a result, the amount of option payment received from Konnex during nine months ended August 31, 2013 was totalling $78,750

As at August 31, 2013, the number of Konnex Shares held by the Company was 75,000 and their fair value cannot be determined as Konnex Shares are not publicly traded. On September 19, 2013, the Company converted all of the remaining75,000 Konnex Shares on hand to 375,000 common shares of Boxxer.

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

The Company did not incur significant exploration costs during 2013 Nine Months in order to preserve cash.

**Summary of Quarterly Results**

Following is a summary of the Company's quarterly results in the last eight recent quarters:

| | 2013 | | | 2012 | | | | 2011 |
|---|---|---|---|---|---|---|---|---|
| | **August 31** | **May 31** | **Feb 28** | **Nov 30** | **Aug 31** | **May 31** | **Feb 29** | **Nov 30** |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Total Revenues | - | - | - | - | - | - | - | - |
| Income (loss) from continuing operations | (43,373) | (52,371) | (120,821) | (241,732) | (802,854) | (191,480) | 12,443 | 147,808 |
| Income (loss), per share, basic and diluted | (0.00) | (0.00) | (0.01) | (0.02) | (0.05) | (0.02) | 0.00 | 0.04 |

The Company is in the business of acquisition and exploration of mineral properties and its operating results are not subject to seasonal variations. Losses in the last eight quarters are mainly due to incurring administrative expenses to support the Company's operations. Other factors that affect the losses among these eight quarters are losses from the disposition of mineral properties/subsidiaries, and gain from settlement with creditors for various payables. Management expects these incidental events may affect the Company's results in the future.

Commencing 2012, the Company started to curtail its operations to preserve cash. As a result, the quarterly losses in fiscal 2013 are generally lower.

**Results of Operations**

Nine Months ended August 31, 2013

The Company's loss in 2013 Nine Months was $212,565 (2012 Nine Months – loss of $981,891), a decrease of loss by $769,326. The decrease of loss was mainly a combined effect of a $83,842 decrease of the Company's operating expenses (2013 Nine Months- $228,070; 2012 Nine Months- $311,912), and a decrease of impairment loss for exploration assets of $721,989 (2013 Nine Months –$Nil; 2012 Nine Months – $721,989).

During 2013 Nine Months, the Company's major operating expenses were $10,896 in rent (2012 Nine Months– $75,322), $17,835 in office expenses (2012 Nine Months - $27,745), $145,000 in management fees (2012 Nine Months-$52,500). Operating expenses in 2013 Nine Months were generally lower to those incurred in 2012 Nine Months as the Company curtailed its operation in fiscal 2013. The increase of $92,500 in management fees was mainly a result of a $60,000 one-time fee charged by the CEO in 2013 Q1.

As at August 31, 2013, the Company had $220,163 cash (November 30, 2012 - $104,775), $2,848,922 exploration and evaluation assets (November 30, 2012 - $2,915,641), $73,922 accounts payable and accrued liabilities (November 30, 2012 - $84,653), $100,000 due to related party (November 30, 2012 - $Nil), and $16,313,350 share capital (November 30, 2012 - $16,313,350).

The increase of cash is a combined result of receiving $100,000 of mineral property payment receivable, $70,000 from guaranteed investment certificate redemption, and $78,750 option payment in connection with the Company's Empire Mine Properties, which were offset by payments of operating expenses and option payment to the optionor of the Company's Musgrove Creek Properties.

Quarter ended August 31, 2013 ("2013 Q3")

The Company's loss in 2013 Q3 was $43,373 (2012 Q3 – loss of $802,854), a decrease of loss by $759,481. The decrease of loss was mainly a combined effect of a $78,605 decrease of the Company's operating expenses (2013 Q3- $47,188; 2012 Q3- $125,793), and a decrease of impairment loss for evaluation properties by $721,989 (2013 Q3 –$Nil; 2012 Q3 –$721,989).

During 2013 Q3, the Company's major operating expenses were $nil (2012 Q3– $23,124) in rent, $2,150 (2012 Q3 - $54,500) in consulting expenses, $30,000 (2012 Q3-$15,000) in management fees. Rental expenses decreased by $23,124 as the Company ended an office lease in January 2013 and did not re-lease an office during 2013 Q3 to preserve cash.

The Company wrote down its Charay Properties in Mexico during 2012 Q3 and recorded an impairment loss of $721,989 in 2012 Q3 accordingly. There was no similar write down in 2013. As a result, impairment loss decreased.

## Share Capital

On April 16, 2012, the Company received shareholder approval to consolidate its shares on a 5 to 1 basis. All references to common shares, share purchase warrants, stock options, per share amounts, option and warrant exercise prices for all periods have been adjusted on a retrospective basis to reflect the common share consolidation.

As at the date of this MD&A, the Company has 15,564,374 common shares issued and outstanding; 50,000 stock options and 6,500,000 share purchase warrants that are convertible to the Company's common shares on a one-to-one basis. Expiry date and exercise price of the Company's options and warrants are available at Note 10 and 11 to the Company's 2013 Q3 Financial Statements.

## Liquidity

Financing of operations has been achieved primarily by equity and debt financing. On August 31, 2013, the Company had a cash balance of $220,163 and a working capital of $170,173. Cash used in the operating activities during 2013 Nine Months was $119,875. As the Company is curtailing its operations, management believes the current liquidity on hand is sufficient to maintain the Company's operations in the near future. The Company is not subject to external working capital requirements.

Management realizes the capital resources on hand are not adequate to support the Company in meeting its business objective on a long term basis. Management may be required to finance the Company's operation by additional equity or debt financing. While the Company was able to raise financing when needed in the past, there is no guarantee that the Company can do so in the future.

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. As at August 31, 2013, the Company had a working capital of $170,173 and did not have long term liability. As a result, management believes the Company is not subject to significant liquidity risk as at August 31, 2013.

During 2013 Nine Months, the Company received $100,000 which was the second installment payment in connection with the Company's disposition of mineral properties in 2011. The Company expects to receive the final installment of $100,000 by December 2013.

## Capital Resources

The following is a summary of the Company's commitment in connection with the Company's mineral properties. The Company does not have other commitments.

### Empire Mine Property

Commencing May 1, 2012, all capital and exploration work commitments were assumed by Konnex when the Empire Mine Second Option Agreement between Konnex and the Company became effective on May 10, 2012.

### Musgrove Creek Property

Refer to the section "Musgrove Creek Gold Property, U.S.A." in the above

**Off-Balance Sheet Arrangements**

The Company does not have off-balance sheet arrangements.

**Transactions Between Related Parties**

Transactions with related parties incurred during the 2013 Nine Months are as follows:

| Name | Nature | 2013 Nine Month Amount ($) | 2012 Nine Month Amount ($) |
|---|---|---|---|
| **Transaction with management:** | | | |
| Rana Vig, CEO | Management fees | 145,000 | 52,500 |
| **Transactions with directors** | | | |
| Martin Bernholtz | N/A | Nil | Nil |
| T. Greg Hawkins | N/A | Nil | Nil |
| Rana Vig | N/A | Nil | Nil |
| Sandy Janda | N/A | Nil | Nil |
| Norman Brewster | N/A | Nil | Nil |
| **Transactions with other related parties** | N/A | Nil | Nil |

As at August 31, 2013, the Company owed the CEO $100,000 (2012/11/30 - $Nil) which was part of the $145,000 management fees charged during 2013 Nine Months.

During 2013 Nine Months, the Company did not pay or grant any short-term employee benefits, post-employment benefits, other long-term benefits, termination benefits to its management; and there was $nil share-based payments paid to the Company's management and directors.

**Proposed Transactions**

The Company does not have proposed transactions that may have material impacts to the Company.

**Changes in Accounting Policies including Initial Adoption**

Refer to Note 3 to the Company's 2013 Q3 Financial Statements

**Financial Instruments**

Details of the Company's financial instruments and its approach to manage the risks arising from its financial instruments are discussed in the Note 19 to the audited annual financial statements for the year ended November 30, 2012 and Note 15 to the Company's 2013 Q3 Financial Statements

**Risk and Uncertainties**

The exploration for mineral deposits is highly speculative activities and is subject to significant risks. The Company's ability to realize its investments in exploration projects is dependent upon the discovery or acquisition of mineral resources and mineral reserves, and the economic viability of developing its properties. The market price of minerals and/or metals is volatile and cannot be controlled. There is no assurance that the Company's mineral exploration activities will be successful. The exploration of mineral resources and mineral reserves involves many risks in which even a combination of experience, knowledge and careful evaluation may not be able to overcome.

**Financial Disclosure Controls and Procedures**

Venture issuers are not required to include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52- 109"). In particular, the Company's certifying officers are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's generally accepted accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations on the ability of the Company are certifying officers to design and implement on a cost effective basis.

**Officers and Directors**

Rana Vig, President, CEO and Director
Larry Tsang, CFO
T. Greg Hawkins, Director
Martin Bernholtz, Director
Norman Brewster, Director
Sandy Janda, Director