

*The following Management Discussion and Analysis (“MD&A”) of Musgrove Minerals Corp. (the “Company”) is intended to supplement and complement the accompanying consolidated financial statements and notes for the period ended February 28, 2011. All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The information provided herein should be read in conjunction with the audited consolidated financial statements for the year ended November 30, 2011. The following discussion may contain management estimates of anticipated future trends, activities or results. These are not a guarantee of future performance, since actual results could change based on factors and variables beyond management control.*

*Additional information relating to the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).*

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls, and to ensure that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable. The Company’s board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders.

The Company evaluated the design of its internal controls and procedures over financial reporting as defined under Multilateral Instrument 52-109. Based on this evaluation, management has concluded that the design of these internal controls and procedures over financial reporting was effective.

Management maintains a system of internal controls to provide reasonable assurance that the Company’s assets are safeguarded and to facilitate the preparation of relevant and timely information.

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management’s discussion and analysis, management evaluated the effectiveness of the Company’s disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that, as of the end of the period covered by this management’s discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company’s annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

## **OVERVIEW**

Musgrove Minerals Corp. is a mineral-exploration resource company trading on the TSX Venture Exchange (Symbol: **MGS**) and OTC market's highest tier, OTCQX (Symbol: **MGSGF**).

The Company is presently in the business of the acquisition and exploration of mineral properties. The Company is currently exploring three advanced exploration-stage projects; the Vianey Mine Silver Property, the Musgrove Creek Gold Property, the Charay Gold Property and the Empire Mine Property.

On April 11, 2005, the Company acquired 100% of Minerales Jazz, the beneficial holder of the Vianey Mine concession. In fiscal 2007, Wits Basin earned a 50% joint venture interest in the Vianey Mine Silver Property, in Guerrero State, Mexico, with remaining 50% interest owned by the Company for the exploration and development of the property. The Vianey Property is comprised of two blocks totaling 5,022 hectares and has a silver-lead-zinc mineralization production history. The Company is the operator of the project.

On June 13, 2007, the Company fulfilled its obligations under an amended option agreement and acquired a 100% right, title and interest in the Musgrove Creek Gold Property, Idaho, USA. The Musgrove Property is a prospect for a disseminated gold bulk-tonnage surface project similar to the Beartrack Mine, a nearby former gold producer.

On October 15, 2008, the Company entered into an option agreement to acquire a 100% interest in and to certain mining claims comprising the Charay Gold Property, located in Sinaloa, Mexico. The Charay Property is comprised of three concessions totaling 380 hectares.

In 2010, the Company was in the process of restructuring and re-organizing. In July 2010, the Company's Peruvian subsidiary, Minera Journey Resources SAC, was sold. This subsidiary owned a 100% interest in the Silver Mountain Property in Peru.

## **RESULTS OF OPERATIONS**

	November 30, 2009 \$	Additions \$	November 30, 2010 \$	Additions \$	February 28, 2011 \$
<b>Musgrove, U.S.A.</b>					
Acquisition and Lease Costs	544,827	50,388	595,215	-	595,215
Exploration Expenditures					
Administrative	70,169	15,250	85,419	2,354	87,773
Assay	79,244	-	79,244	-	79,244
Drilling	433,931	-	433,931	-	433,931
Field and Exploration	54,287	1,035	55,322	-	55,322
Geochemical Survey	201,249	-	201,249	-	201,249
Geological	160,044	16,067	176,111	-	176,111
Staking and Maintenance Fees	54,205	27,662	81,867	10,095	91,962
	<u>1,597,956</u>	<u>110,402</u>	<u>1,708,358</u>	<u>12,449</u>	<u>1,720,807</u>
<b>Vianey, Mexico</b>					
Acquisition Costs	223,818	-	223,818	25,511	248,329
Exploration Expenditures					
Administrative	16,530	6,282	22,812	6,00	28,812
Engineering	15,000	-	15,000	-	15,000
Fees and Permits	11,731	11,091	22,822	-	22,822
Field and Exploration	118,354	620	118,974	2,060	121,034
Geological	47,494	-	47,494	-	47,494
	<u>432,927</u>	<u>17,993</u>	<u>450,920</u>	<u>32,571</u>	<u>483,491</u>
<b>Charay, Mexico</b>					
Acquisition Costs	269,352	577,842	847,194	-	847,194
Exploration Expenditures					
Assays	-	13,140	13,140	-	13,140
Engineering	25,000	266,061	291,061	-	291,061
Fees and Permits	12,072	7,115	19,187	32,617	51,804
Field and Exploration	5,968	18,363	24,331	20,805	45,136
Geological	10,182	17,225	27,407	8,725	36,132
	<u>322,574</u>	<u>899,746</u>	<u>1,222,320</u>	<u>62,147</u>	<u>1,284,466</u>
<b>Empire Mine Property, U.S.A.</b>					
Acquisition Costs	-	-	-	61,055	61,055
Exploration Expenditures					
Administrative	-	-	-	1,177	1,177
Geological	-	-	-	27,876	27,876
	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,108</u>	<u>90,108</u>
<b>Silver Mountain, Peru</b>					
Acquisition Costs	758,632	(25,000)	733,632	-	-
Exploration Expenditures	31,193	7,253	38,446	-	-
Disposal of Subsidiary (Note 3(a))	-	(772,078)	(772,078)	-	-
	<u>789,825</u>	<u>(789,825)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,143,282</u>	<u>238,316</u>	<u>3,381,598</u>	<u>197,275</u>	<u>3,578,873</u>

## **Musgrove Creek Gold Property ("Musgrove Property"), U.S.A.**

On June 13, 2007, the Company fulfilled all of its obligations under an option agreement with Roxgold Inc. and Wave Mining Inc. by making \$225,000 in cash payments and issuing 375,000 common shares, and acquired all

rights, title and interest to the Musgrove Property. The property consists of 47 unpatented claims situated in the Cobalt Mining District, Lemhi County, Idaho, USA. The Company staked and recorded an additional 40 claims in 2006.

The Company deposited a reclamation bond of US\$5,800 (CDN\$6,818) with the United States Department of Agriculture Forest Service in April 2006 for future mineral claim site reclamation costs.

The results from The Company's two previous drill programs, have indicated a tangible target for ore grade mineralization (named the "Johny Northwest target area"), located midway between those two groups of drill holes. Ten reverse circulation holes totaling 625 meters (2050 feet) were drilled from an existing access road to test the target area. Significant gold mineralization was drilled in eight of these holes. The widths of the intercepts are along the drill hole; the true widths of the mineralized zones are not known at this time. It is worth noting that hole MG-09-64 ended at 250 feet in mineralization.

The Company has staked an additional 20 claims, expanding the property to the south and south-west in an area previously held by other claimants. The claim package now includes 107 unpatented lode mining claims. The Company is undertaking a comprehensive GIS compilation of all available data from the project area, which will greatly aid interpretation and targeting for future drilling. Numerous additional target areas exist at the property, which will be further developed by the GIS compilation, and then drill tested. To date the Company has completed approximately 3,000 feet of the 7,500 foot drill program. In addition to the drilling, other work will include soil sampling and detailed geological mapping of the Joe claims and, at a minimum, a thorough reconnaissance of the area known as the "Ludwig Basin" that lies southwest of Johny's Point and above the adit on Musgrove Creek. This area seems to have received little attention in the past, probably due to the steep slopes, extensive talus cover and proximity to Musgrove Creek. However, given its location between the Smith – Gahan area and Johny's Point, this makes it an area of substantial interest.

The 2011 work program includes reopening a total of approximately 3,360 feet of previously constructed and then reclaimed drill roads to Johny's Point, and the construction of a total of 395 feet of new road. It has been recommended that we drill up to 18 holes for a total of 14,000 feet.

The overall management of the program is being provided by the Company's consulting geologist, Robert M. Hatch, Licensed Geologist, the Qualified Person, as defined by NI 43-101, on the Musgrove Creek Project. The Musgrove Property is an advanced-stage exploration project, of which the Company controls a 100% operating interest, subject to an underlying royalty. In February of 2004, a new NI 43-101 mineral resource calculation was estimated (Gruenwald and Makepeace, 2004).

### **Vianey Mine Silver Property ("Vianey Property"), Mexico – Joint Venture**

On April 11, 2005, the Company acquired 100% of Minerales Jazz S.A. de C.V., the beneficial holder of the Vianey Mine Concession. The Vianey Property is held pursuant to an exploitation concession issued on May 5, 1979 by the government of Mexico, which will expire in 2029, unless renewed. The property consists of concessions totaling 5,022 hectares in Guerrero State, 250 kilometers south of Mexico City, Mexico. The property has a silver-lead-zinc mineralization history and includes a mine with a history of intermittent production.

The Vianey Property is operated on a joint venture basis with the Company holding a 50% interest in the joint venture and acting as the operator of the project. The Company accounts for the joint venture using the proportionate consolidation method.

In September 2006 the Company commenced a work program on the Vianey Project. A drilling contract covering 3,200 meters of HQ core drilling was awarded to CanMex Diamond Drill S.A. de C.V. of Sinaloa, Mexico. Diamond core drilling and associated surface and underground exploration was conducted during 2006 and early 2007. A total of 2,042 meters of core drilling was accomplished in 10 drill holes, plus 2 re-drilled holes. Drilling failed to reach the Vianey vein target in any drill hole; thus the objective of testing mineralization below the -75 metre level was not achieved. Drilling intercepted new zones of mineralization in the rocks southwest of the Vianey vein that were not previously known. Underground sampling returned good grade values for the Vianey vein and disclosed near-ore-grade metal values in intrusive rocks at the -75 metre level. The objective of testing mineralization below the -75 metre level remains a viable objective for expanding the resource potential of the Vianey vein.

Laboratory analysis was provided by ALS Chemex, Guadalajara, Jalisco, Mexico. The design and overall management of the program was provided by the Company's geologist Rodney Blakestad, the Qualified Person on the Vianey project.

In 2008, a review and evaluation of data, compilation of the recently acquired underground survey, data basing of available geo-chem, standardizing into a digital bundle, creating topographical maps, finishing the underground survey layout, and adding the geology and geo-chem to the survey data. An underground drilling program is being contemplated.

The recommended work program includes drilling from underground sites, continuation of surface and underground mapping and sampling, permitting for surface disturbance operations are to be completed, and negotiations are to be commenced to secure expanded rights for exploration and land use in the region surrounding the Vianey Mine concessions. The Company, and its subsidiary Minerales Jazz S.A. de C.V. (Jazz), is continuing with its planned metallurgical, pilot-mining and drilling program announced in its February 3, 2010 release. The pilot-mining will entail a mining operation involving an initial 35,000 tonnes of material that lies at surface.

The Vianey Mine Project, will be evaluated and a 2011 work program will be developed, with a priority to develop a 43-101 compliant report for the purposes of justifying commercial development of the Vianey Mine based on historic and recent drilling.

On September 22, 2010, the Company signed the Agreement with Fibre Crown Manufacturing of Vancouver, BC (see "Overview" section). Fibre Crown is to acquire up to a 76% interest in Minerales Jazz S.A. de C.V., including Minerales Jazz's rights to the Charay Property. Fibre Crown can purchase the Company's 50% interest in the Vianey Mine for a cash payment of \$250,000. If the purchaser does not exercise such right, the Company may acquire the Vianey Property for \$1 within 30 months of the closing of the Agreement. In April 2011, this Agreement was terminated.

### **Charay Gold Property ("Charay Property"), Mexico**

On October 15, 2008, the Company through its wholly owned Mexican subsidiary entered into a mineral claim option agreement with Tektite Financial Inc. ("Tektite") and Minera Bacoachi, S.A de C.V., to acquire a 100% interest in and to certain mining claims comprising the Charay Property, located in Sinaloa, Mexico.

The Property is comprised of three concessions covering 380 hectares, located in northern Sinaloa, Mexico, approximately one hour by road from the city of Los Mochis. In 2005, Vane Minerals Group drilled 27 shallow holes on the Property, totaling 1,576 meters. Eight drill holes targeted large zones of intense alteration in search of large-tonnage, low-grade disseminated mineralization. Nineteen drill holes targeted and intersected mineralized quartz vein/structure along a strike length of approximately 240 meters.

In June 2010, the Company acquired an additional 11,800 hectares of mineral concessions contiguous to the Charay property.

The option will retain a 2% net smelter royalty in the event of commercial production of the property.

The main exploration target on the Charay property is the El Padre vein, a high-grade gold-silver epithermal quartz vein. Two bulk samples taken from the El Padre vein in January 2010 were shipped to Laboratorio Tecnológico de Metalurgia in Hermosillo, Sonora for metallurgical testing. Head assays from the bulk samples were announced in Musgroves' February 3, 2010 news release. The Company has now received results from preliminary gravity and bottle-roll leach metallurgical tests for both samples.

Six cyanide leach tests on three different grind sizes show excellent gold recoveries of 69% to 94%, with all samples using - 60 and - 100 mesh showing gold recoveries in excess of 90%. Each bottle-roll test was for 72 hours. These tests suggest that the mineralization at Charay may be amenable to agitated leaching methods. Advantages of agitated leaching over heap leaching include, amongst other things: i) drastically shorter leach times (hours vs

months), ii) higher overall gold recoveries (>90% vs <75%), and iii) smaller aerial footprint for the leaching facilities.

Musgrove is awaiting preliminary flotation test results. Additional metallurgical testing is planned in order to determine optimal grind-size, leach duration and flotation parameters for maximum gold-silver recoveries.

A 43-101 Technical Report dated March 31, 2010 was filed by the Company and is available on SEDAR and the company website ([www.musgrovereminerals.com](http://www.musgrovereminerals.com)). The qualified person for the project is Phil Van Angeren, P.Geol. The report's recommendation on the Charay Property is for drilling, in conjunction with additional metallurgical testing, followed by detailed mine planning for an underground mining program involving material from the El Padre vein. Current work on the property will continue, which involves dewatering underground workings and removal of near surface material.

Geologically, Charay is classified as a low sulphidation, epithermal, gold-silver quartz vein with low base metal content. The pertinent points regarding this property from the 43-101 are as follows:

- High-grade, near-vertical, epithermal gold/silver vein system within an andesitic volcanic complex (El Padre vein): oxidized, hematitic, low-sulphide, banded quartz-vein and silicified breccia with a prominent silica cap (typical low-sulphidation epithermal features),
- Vein width in the order of 1.0 to 2.0m; length in excess of 400m, extending to 50m depths, and open in all directions
- Existence of several mineralized and/or silicified structures indicated by workings and geology
- Potential for buried bonanza mineralization (indicated by drilling) as well as additional mineralization on strike
- Little or no comprehensive historical exploration. Surprisingly under-explored given the high gold grades. No workings reach deeper than 35m, no drilling below ~50m depths
- A 27-hole drill program in 2005 intersected a 250 m long mineralized section within 50m of surface on the El Padre vein, at a weighted average of 18.75 gm/T Au and 120.2 gm/T Ag over a true width of 1.14m, recalculated in 2010 at 20.3 gm/T Au and 123.7 gm/T Ag across 1.29m g. Location in an area with established mining logistics (eg, access to local mills, mining expertise, railway, powerline, and tidewater port)

It has been recommended to initiate feasibility studies on this property in 2010/11, with the goal of ultimately bringing it to full scale production. Feasibility studies will entail a substantial amount of drilling, in conjunction with metallurgical testing, followed by detailed mine planning, if warranted. The currently-defined "bonanza" portion of the El Padre vein will be the prime focus of close-spaced drilling for the initial phases of exploration. In the first phase, fourteen (14) core holes are expected to be drilled on a 50m by 50m grid, to a depth of 100m, in conjunction with preliminary bulk sampling (for metallurgy), at a projected cost of C\$500,000.00. Following this, a second phase of drilling is proposed for the higher priority targets defined in the first phase. It too can be completed at a cost of C\$ 500,000.00. This first phase preliminary program will initiate a longer-term exploration program directed at:

- detailed in-fill drilling of the El Padre vein system,
- exploration for the extensions to the El Padre vein and for other mineralized veins, and
- feasibility studies and mine planning.

In conjunction with the first phase of exploration, Musgrove intends to initiate an underground pilot-mining program involving 35,000 tonnes of material from the El Padre vein.

In April 2010 the Company has contracted RJR Mineral Services for evaluation and establishment of a mining operation on the Charay deposit. The principal of RJR Mineral Services is Robert Rodger, professional mining engineer, with over thirty years diversified experience as a company executive, in mining operations, mine development, engineering, mineral economics and mine reclamation in Canada and abroad. The priority of the

contract is to develop a plan of operation for the mining of the bulk sample (+/- 35,000 tonnes). This will provide an assessment to the grade and mineral processing characteristics of the deposit.

RJR Mineral Services is preparing a plan of operation for test mining of a bulk sample (+/- 35,000 tonnes). Mining of this bulk sample will follow preparation of a resource estimate after the next phase of exploration.

Preliminary results of the process testing program, achieved gold and silver recoveries of 89% and 60% respectively in a flotation concentrate from the Charay vein. The best results were obtained by grinding samples at 80% passing 200 mesh. Gold and silver recoveries of 86% and 65% respectively were obtained from flotation of the near surface vein mineralization, where there is some oxidization of the vein material. A finer grind at 80% passing 325 mesh was required for this material. The results are particularly encouraging, suggesting that the mineralization at Charay could be processed in existing mills in the area.

Additional testing will be undertaken, using flotation as well as conventional gold processing methods.

The first phase of the exploration program includes trenching along the projected extensions of the vein and approximately 14 core holes to be drilled on a 50m by 50m grid to a 100m depth. The second phase drill targets will be prioritized based on results from the first phase trenching and drilling. Results from the 2010 work program will assist in the preparation of a resource estimate, feasibility studies and mine planning.

On September 22, 2010, the Company signed the Agreement with Fibre Crown Manufacturing of Vancouver, BC (see "Overview" section). Fibre Crown is to acquire up to a 76% interest in Minerales Jazz S.A. de C.V., including Minerales Jazz's rights to the Charay Property. Fibre Crown can earn 51% interest in Minerales Jazz by paying to Musgrove \$65,000 and loaning \$2,000,000 to Minerales Jazz over an 18 month period. In addition, Fibre Crown can increase its interest by 25% by making a cash payment of \$250,000 to Musgrove and loaning an additional \$1.5 million to Minerales Jazz.

Minerales Jazz will be using the cash proceeds from the Fibre-Crown loan to advance the Charay Gold-Silver deposit, where the company has completed agreements with local communities and private land holders.

The Company has acquired over 11,000 hectares of mineral concessions contiguous to the Charay property, mostly along the strike projections of the epithermal vein system found at Charay. The company is planning infill, step out and exploration drilling aimed at increasing the resource. While this phase of the exploration is underway, work to extract a bulk sample, will also commence. The initial program will consist of mining of a 30 - 40,000 tonne bulk sample from the upper part of the vein. The mining of this bulk sample should provide information on the geology and structure of the vein, mining conditions, etc. The underground work will be undertaken on a two shift per day basis with the objective of producing 100 tonnes per day.

### **Empire Mine Property, U.S.A.**

In December 2010 and January 31, 2011, the Company entered into exploration and lease agreements with two arm's length parties to earn a 100% operating interest in certain mining claims at the Empire Mine Property in Idaho, U.S.A. The terms of the agreements require the Company to pay a total of US\$1,072,500 in cash or shares commencing from July 31, 2011 up to the completion of a permit to operate the property. Upon commencement of commercial property, the property is subject to a 2.5 % net smelter returns royalty which may be reduced to 1.5% for US\$2,400,000. The Company paid a fee of US\$60,000 on signing of the agreements.

The agreements are subject to regulatory approval.

## Selected Annual Financial Information

	2010	2009	2008
	\$	\$	\$
Revenues	-	-	-
Net Loss for the Year	(1,994,415)	(1,324,097)	(4,566,270)
Net Loss per Common Share – Basic and Diluted	(0.15)	(0.02)	(0.12)
Total Assets	3,503,406	3,566,873	3,306,774
Total Long Term Debt	-	-	-
Shareholders' Equity	1,187,207	1,137,926	879,610
Working Capital (Deficiency)	(2,047,789)	(2,223,387)	(2,173,043)

## Summary of Quarterly Results

	Feb 28/10	Nov 30/10	Aug 31/10	May 31/10	Feb/10	Nov 30/09	Aug 31/09	May 31/09
	\$	\$	\$	\$	\$	\$	\$	\$
Total Revenues	-	-	-	-	-	-	-	-
Net Loss	(720,394)	(1,151,345)	(247,325)	(313,432)	(282,313)	(366,430)	(256,650)	(512,386)
Loss Per Share	(0.03)	(0.14)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)

## Operating Activities

### *For the three months ended February 28, 2011 compared with the three months ended February 28, 2010:*

During the period ending February 28, 2011, the Company's net loss totaled \$720,394 compared to a net loss of \$282,313 in the same period of 2010. The basic and diluted loss per share was comparable and totaled \$0.03.

### *General and Administrative ("G&A")*

G&A expenses for the first quarter of fiscal 2011 increase by 442,014 and totaled \$754,633 compared to \$312,619 for the compared period in 2010. An increase in G&A expenses was mainly due to \$154,945 of non-cash stock-based compensation expenses incurred for the stock option granted to the officers and consultants of the Company when no options was granted in 2010 and \$207,706 of consulting fees, and \$60,168 of interest expense on the short-term loan. These increases were partially offset with \$64,560 decrease in investor relations.

### *Interest and Financing Charges*

During the three months ended February 28, 2010, the Company repaid about a million of various short-term loans and incurred a total of \$121,176 in interest expense on these loans (2009 - \$54,992) (see "Short-term loans").

## SHORT TERM LOANS

- a) On June 30, 2008, the Company entered into a loan agreement for \$1,000,000 by way of a promissory note. The loan was payable on demand and bears interest at a rate of 3% per month until May 31, 2010, and 15% per year on the balance then outstanding. The loan was secured by a pledge of 722,000 common shares of the Company held by the President of the Company and a general security agreement against all assets of the Company. The loan was also guaranteed by the President of the Company.

In the period ended February 28, 2011, the Company recorded interest expense totalling \$105,800 (2010 - \$54,922). In December 2010, the loan was assigned to an arm's length party pursuant to a third party agreement, and repaid by the Company in full.

- b) On September 11, 2010, the Company entered into a loan agreement for \$150,000 by way of a promissory note with the optionors of the Charay Property (Note 5(c)). The Company was in default of option payments totalling \$30,000 required on July 15, 2010 and September 1, 2010, and failed to incur the minimum exploration expenditure requirement of US\$50,000 by September 1, 2010. The optionors agreed not to terminate the option agreement by accepting a promissory note of \$150,000 issued in favour of the optionors. The non-interest bearing and unsecured loan was due on or before December 31, 2010. The Company repaid the loan in full in February 2011.

- c) On September 29, 2010, the Company entered into a loan agreement for \$258,000 by way of a promissory note in connection with the proposed sale of Minerales Jazz (Note 3(b)). The loan is payable on demand, bears interest at a rate of 8% per annum, and is secured by all outstanding shares of Minerales Jazz held by the Company. The Company recorded interest expense of \$5,160 (2010 – \$3,500) which remained outstanding as at February 28, 2011.
- d) These loans are unsecured and have no specified terms of repayment. The Company recorded interest and financing fees totaling \$4,200 (2010- \$19,901) as agreed with the various lenders.

## **LIQUIDITY**

### *Working Capital*

The Company's working capital deficiency was \$720,394 as at November 30, 2010, compared to \$2,047,789 as at November 30, 2010. Cash totaled \$445,384 as at February 28, 2011, an increase of \$442,966 from \$12,418 as at November 30, 2010.

### *Sources and Uses of Cash*

On January 21, 2011, the Company completed a private placement of 17,992,332 units at a price of \$0.15 per unit raising gross proceeds of \$2,698,850. The Company incurred finders' fees of \$185,935 and \$17,279 in connection with these private placements.

The proceeds from private placement were used on exploration expenditures totaled \$197,275 in the period ended February 28, 2010 and were utilized in operating activities of \$911,355 (see "Results of Operations").

In the first quarter of 2011, the Company paid off a total of \$944,040 various short-term loans including partial repayment of loans to related parties.

The Company's financial condition is contingent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of these properties. The Company has historically relied upon equity financings to satisfy its capital requirements, and will continue to depend upon equity and/or debt financings to raise sufficient funds for its exploration activities

There can be no assurance the Company will be able to obtain the equity and/or debt financings required in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options, warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for further exploration and development of its projects.

Although the Company has been successful in the past in financing its activities through the sale of equity securities there can be no assurance that it will be able to obtain sufficient financing in the future to carry out exploration and development work on the Properties. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success.

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings.

## **CAPITAL RESOURCES**

### *Share Capital*

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at February 28, 2011, the Company had 32,583,963 (November 30, 2010 –14,591,631) common shares issued and



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

As of April 29, 2011, the Company had 32,583,963 shares issued and outstanding.

On January 27, 2011, the Company completed a private placement of 17,992,332 units at a price of \$0.15 per unit raising gross proceeds of \$2,698,850. Each unit consists of one common share and a one-half share purchase warrant exercisable into one common share at a price of \$0.20 for a term of one year. The Company incurred finders' fees of \$185,935 and issued 619,783 finders' warrants which have the same terms as the private placement warrants.

#### *Stock Options*

As at November 30, 2010, the Company had 2,062,500 (November 30, 2010 – 287,500) stock options outstanding with a weighted average exercised price of \$0.34 and expiry dates from April 3, 2011 to February 15, 2016.

In February 2011, the Company granted 1,800,000 stock options to directors, officers, and consultants of the Company. Each option is exercisable into one common share at \$0.20 per share for a term of five years.

Subsequently, 12,500 stock options expired leaving a balance of 2,050,000 options outstanding as of April 29, 2011.

#### *Share Purchase Warrants*

On November 30, 2010, the Company had a total of 16,470,367 (November 30, 2009 – 7,911,792) warrants outstanding with a weighted average exercise price of \$0.55 and expiry dates from May 13, 2011 to January 21, 2012.

During the period ended February 28, 2010, 1,057,375 warrants at an exercise price of \$0.80 expired and 9,615,950 warrants at an exercised price of \$0.20 were issued. As of April 29, 2011, the Company had 16,574,767 warrants outstanding.

### **OUTSTANDING SHARE DATA**

As of April 29, 2010, the Company had the following common shares, stock options, share purchase warrants, and agent units outstanding:

Common Shares	32,583,963
Stock Options	2,050,000
Share Purchase Warrants	16,574,767

### **OFF BALANCE SHEET ARRANGEMENTS**

As at November 30, 2010 and 2009, the Company had not entered into any off-balance sheet arrangements.

### **TRANSACTIONS WITH RELATED PARTIES**

In addition to those transactions disclosed elsewhere in these consolidated financial statements, the Company had the following transactions with related parties:

- a) Balances due from and to related parties are unsecured and have no specified terms for repayment. They are non-interest bearing unless otherwise noted. The following related party balances were outstanding:

	February 28, 2011	November 30, 2010
Due to a company with a director in common for advances made, bearing interest at 10% per annum effective January 01, 2009. The Company recorded interest expense totalling \$5,754 (2009 – \$9,978).	53,270	68,287
Due to an Officer (also a Director) of the Company for net advances made to the Company.	290,528	290,528
Due to Related Parties	<u>343,798</u>	<u>358,815</u>

- b) During the period ended February 28, 2011, the Company paid management fees of \$21,000 (2010 – \$21,000) to companies controlled by the Officers (also Directors) of the Company for management and consulting services.
- c) During the period ended February 28, 2011, the Company paid management fees of \$4,500 (2010 – \$Nil) to a company controlled by the Officers (also Directors) of the Company.
- d) During the period ended February 28, 2011, the Company charged fees totalling \$30,000 (2010 – \$30,000) for administrative support provided to a company with a director and an officer in common.
- e) During the period ended February 28, 2011, the Company charged fees totalling \$2,000 (2010 – \$18,800) for rent and administrative support provided to a company controlled by a person related to an Officer (also a Director) of the Company. These fees have been recorded against rent expense.
- f) During the year ended November 30, 2010, the Company paid finders' fees of \$34,600 to a person related to an Officer (also a Director) of the Company.

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

## COMMITMENTS

In addition to the mineral property option agreement commitments, the Company entered into a five-year lease agreement for office premises effective April 1, 2008. The Company is also committed to pay operating costs and property taxes of approximately \$3,000 per month. Minimum annual payments for basic rent, operating costs and property taxes are as follows:

	\$
2011	92,437
2012	94,725
2013	31,829
	<u>218,991</u>

## CRITICAL ACCOUNTING ESTIMATES

The Company has made no assumptions about matters that are highly uncertain, except for those disclosed in Note 2 of the consolidated financial statements for the period ended February 28, 2011. Critical accounting estimates are those that materially affect the consolidated financial statements and involve a significant level of judgment by the Company. Significant areas requiring the use of management estimates include the assessment of recoverability of mineral properties and property and equipment, the determination of the amortization period of property and equipment, the estimated amount of accrued liabilities and asset retirement obligations, the realization of future tax assets, and the determination of the fair value of stock based compensation. Actual results may differ from these estimates.

## RISKS 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. The Company has no source of financing other than those identified in the previous sections.

## DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding

public disclosure. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter ended February 28, 2012, for which the current and comparative information will be prepared under IFRS.

The Company has commenced its IFRS conversion project in 2008. The Company's IFRS project consists of three phases – scoping, evaluation and design, and implementation and review. The Company has commenced the scoping phase of the project, which consists of project initiation and awareness, identification of high-level differences between Canadian GAAP and IFRS and project planning and resourcing. The Company has completed a high level scoping exercise and has prepared a preliminary comparison of financial statement areas that will be impacted by the conversion.

A detailed assessment of the impact of adopting IFRS on the Company's consolidated financial statements, accounting policies, information technology and data systems, internal controls over financial reporting, disclosure controls and procedures, and the various covenants and capital requirements and business activities has not been completed. The impact on such elements will depend on the particular circumstances prevailing at the adoption date and the IFRS accounting policy choices made by the Company. The Company has not completed its quantification of the effects of adopting IFRS. The financial performance and financial position as disclosed in our Canadian GAAP financial statements may be significantly different when presented in accordance with IFRS.

### ***a) Changes in Internal Control Over Financial Reporting (“ICFR”)***

The Company's CEO/President/Chairman, and CFO are responsible for establishing and maintaining the Company's internal controls over financial reporting. Management, including the CEO and CFO, have evaluated the Company's internal controls over financial reporting and have concluded that they provide reasonable assurance with respect to the reliability of financial reporting and the preparation of financial statements for external readers in accordance with Canadian GAAP.

The CEO and CFO have identified that there is limited segregation of financial related duties due to the small size of the Company and its limited number of staff. Many companies of similar size have such limited segregation. Although it is possible, management of the Company does not believe that this lack of segregation of duties has led to a material misstatement in the financial statements. Management has taken appropriate steps to minimize any risk, for example, two senior officers must sign all cash disbursements and senior management regularly reviews internal financial statements and reports.

While management believes that the Company's internal controls over financial reporting provide reasonable assurance, they do not expect that the controls and procedures can prevent all errors, mistakes or fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

### ***b) Disclosure Controls and Procedures***

The Company's CEO/President/Chairman, and CFO are responsible for establishing and maintaining the Company's disclosure controls and procedures. Management, including the CEO and CFO, have evaluated the procedures of the Company and have concluded that they provide reasonable assurance that material information is gathered and reported to senior management in a manner appropriate to ensure that material information required to be disclosed in reports filed or submitted by the Company is recorded, processed, summarized and reported within the appropriate time periods.

While management believes that the Company's disclosure controls and procedures provide reasonable assurance, they do not expect that the controls and procedures can prevent all errors, mistakes, or fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

## **DISCLAIMER**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR ([www.SEDAR.com](http://www.SEDAR.com)). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

## **FORWARD LOOKING STATEMENTS**

This discussion and analysis contains forward-looking statements about the Company's future prospects, and the Company provides no assurance that actual results will meet management's expectations. For a thorough discussion and analysis of the risks and uncertainties affecting the Company we refer you to the Annual Information Form (available on Sedar at [www.sedar.com](http://www.sedar.com)). All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Company expects to occur, are forward looking statements. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur.

Information inferred from the interpretation of drilling results and information concerning mineral resource estimates may also be deemed to be forward looking statements, as it constitutes a prediction of what might be found to be present when, and if, a project is actually developed. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, and continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change.