



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**THREE AND SIX MONTHS ENDED MAY 31, 2014**

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

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

	Note	May 31, 2014	November 30, 2013
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalent		84,867	214,475
Marketable securities	4	362,250	150,250
Other receivables		8,238	3,285
		455,355	368,010
<b>Non-current</b>			
Equipment	5	528	1,056
Exploration and evaluation assets	6	244,891	465,253
Reclamation bond	6	-	5,859
		245,419	472,168
<b>TOTAL ASSETS</b>		700,774	840,178
<b>LIABILITIES</b>			
<b>Current</b>			
Payables and accrued liabilities	7	116,577	185,749
Short-term loans	8	1,205	1,205
		117,782	186,954
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	16,313,350	16,313,350
Reserves	12	5,065,093	5,023,065
Deficit		(20,795,451)	(20,683,191)
		582,992	653,224
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		700,774	840,178

**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 consolidated interim financial statements –

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

		Three months ended		Six months ended	
		May 31,		May 31,	
	Note	2014	2013	2014	2013
		\$	\$	\$	\$
<b>EXPENSES</b>					
Amortization	5	264	1,716	528	3,432
Advertisement and promotion		-	-	-	1,900
Consulting, Director, and management fees	13	63,875	35,150	80,375	123,150
Filing and transfer agent fees		6,879	8,623	11,120	9,874
Professional fees		7,240	1,980	10,240	7,830
Miscellaneous property exploration		-	2,085	-	6,125
Office		6,051	4,820	10,688	14,685
Rent		-	-	-	10,896
Travel		-	1,224	-	2,990
<b>LOSS BEFORE OTHER ITEMS</b>		<b>(84,309)</b>	<b>(55,598)</b>	<b>(112,951)</b>	<b>(180,882)</b>
Interest income (expenses) and accretion		691	3,227	691	6,190
Other income		-	-	-	1,500
<b>NET LOSS</b>		<b>(83,618)</b>	<b>(52,371)</b>	<b>(112,260)</b>	<b>(173,192)</b>
<b>Basic and diluted loss per share</b>		<b>(0.03)</b>	<b>(0.02)</b>	<b>(0.04)</b>	<b>(0.06)</b>
<b>Weighted Average number of outstanding shares</b>		<b>3,112,875</b>	<b>3,112,875</b>	<b>3,112,875</b>	<b>3,112,875</b>
<b>COMPREHENSIVE LOSS</b>					
Net loss for the period		(83,618)	(52,371)	(112,260)	(173,192)
Other Comprehensive loss :					
Translation gain (loss)		8,778	(4,284)	10,028	(1,215)
Unrealized gain (loss) of marketable securities	4	5,000	(10,800)	32,000	(37,800)
Comprehensive loss for the period		<b>(69,840)</b>	<b>(67,455)</b>	<b>(70,232)</b>	<b>(212,207)</b>

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

**MUSGROVE MINERALS CORP.****Condensed consolidated interim statements of changes in equity****(Unaudited - Expressed in Canadian Dollars)**

	Note	Number of shares	Share capital	Reserves				Deficit	Equity attributed to shareholders
				Investment revaluation reserve	Translation reserve	Option reserve	Warrant reserve		
Balance at November 30, 2012		3,112,875	16,313,350	\$ (135,000)	\$ 16,976	\$ 1,968,249	\$ 2,987,714	\$ (17,870,943)	\$ 3,280,346
Translation gain from subsidiaries		-	-	-	(1,215)	-	-	-	(1,215)
Unrealized loss on marketable securities	4	-	-	(37,800)	-	-	-	-	(37,800)
Loss for the period		-	-	-	-	-	-	(173,192)	(173,192)
Balance at May 31, 2013		3,112,875	16,313,350	(172,800)	15,761	1,968,249	2,987,714	(18,044,135)	3,068,139

	Note	Number of shares	Share capital	Reserves				Deficit	Equity attributed to shareholders
				Investment revaluation reserve	Translation reserve	Option reserve	Warrant reserve		
Balance at November 30, 2013		3,112,875	16,313,350	\$ 26,250	\$ 40,852	\$ 1,968,249	\$ 2,987,714	\$ (20,683,191)	\$ 653,224
Loss for the period		-	-	-	-	-	-	(112,260)	(112,260)
Unrealized gain on marketable securities	4	-	-	32,000	-	-	-	-	32,000
Translation gain		-	-	-	10,028	-	-	-	10,028
Balance at May 31, 2014		3,112,875	16,313,350	58,250	50,880	1,968,249	2,987,714	(20,795,451)	582,992

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

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

	<b>Note</b>	Six months ended May 31,	
		2014	2013
		\$	\$
<b>Operating activities</b>			
Net loss		(112,260)	(173,192)
Adjustments for non-cash items:			
Amortization		528	3,432
Accretion, accrued interest		-	(6,190)
Changes in non-cash working capital items:			
Accounts receivable		(4,953)	1,657
Prepaid		-	15,013
Payables and accrued liabilities		(67,922)	72,742
Cash flows used in operating activities		(184,607)	(86,538)
<b>Investing activities</b>			
Acquisition of equipment		-	(1,457)
Acquisition of exploration and evaluation assets	6	(10,860)	(2,031)
Option payment received	6	20,000	25,000
Proceeds received on disposal of marketable securities	4,6	40,000	-
Proceeds received on sale of Vianey property		-	100,000
Receipt of reclamation bond		5,859	-
Cash flows provided by investing activities		54,999	121,512
Increase(decrease) in cash		(129,608)	34,974
Cash, beginning of period		214,475	104,775
<b>Cash, end of period</b>		<b>84,867</b>	<b>139,749</b>
Non-cash transactions:			
8,000,000 Boxxer shares received	6	220,000	-

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

## **Musgrove Minerals Corp**

Notes to the condensed consolidated interim financial statements

Three and six months ended May 31, 2014

(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 consolidated interim 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. As at May 31, 2014, 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 may 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 cash on hand, loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value and presentation of its assets may be materially less than the amounts on its consolidated statement of financial position.

### **2. Statement of compliance with International Financial Reporting Standards**

These condensed consolidated interim financial statements for three and six months ended May 31, 2014 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”).

These condensed consolidated interim financial statements for three and six months ended May 31, 2014 (the “Interim Financial Statements”) are 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 Statements be read in conjunction with the Company’s consolidated financial statements for the most recent year ended November 30, 2013.

These Interim Financial Statements were authorized for issuance by the Board of Directors on July 29, 2014

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

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

These Interim Financial Statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. These Interim Financial Statements are presented in Canadian dollars unless otherwise noted.

## **Musgrove Minerals Corp**

Notes to the condensed consolidated interim financial statements

Three and six months ended May 31, 2014

(Unaudited - Expressed in Canadian dollars)

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### **3. Significant accounting policies (Continued)**

#### ***Basis of preparation and consolidation (continued)***

These Interim Financial Statements include the accounts of the Company and its wholly-owned Mexican subsidiary, Minerales Jazz S.A. de C.V. (“Minerales Jazz”), its wholly owned USA subsidiary, Mugrove Minerals Corp. (“Musgrove USA”) and two inactive 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.

#### ***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 assessment of the Company’s ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of expenditures as exploration and evaluation expenditures or operating expenses;
- the classification of financial instruments; and
- the determination of the functional currency of the parent company and its subsidiaries.

#### ***Foreign currency translation***

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

##### Transactions and balances

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



## **Musgrove Minerals Corp**

Notes to the condensed consolidated interim financial statements

Three and six months ended May 31, 2014

(Unaudited - Expressed in Canadian dollars)

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### **3. Significant accounting policies (continued)**

#### ***Foreign currency translation (continued)***

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

#### **Foreign operations**

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows: - assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and - income and expenses are translated at average exchange rates for the period. Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency translation reserve in the statement of comprehensive loss. These differences are recognized in the profit or loss in the period in which the operation is disposed.

#### **Adoption of new accounting standards**

The Company has not adopted new accounting standards since its most recent year ended November 30, 2013 except the following. Adoption of these new standards commencing December 1, 2013 does not have material effect on the Company's Interim Financial Statements.

- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IFRS 13 "Fair value measurement"; and
- Amendments to IAS 27 "Separate Financial Statements", IAS 28 "Investments in Associates and Joint Ventures"

#### **Accounting standards issued but not yet effective**

At the date of authorization of these financial statements, the following standards have not been early adopted. The Company is currently evaluating any impact that these new guidance may have on its consolidated financial statements.

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, 2018.

Amended standard IAS 32 Financial Instruments: Presentation ("IAS 32") - Amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. This provides for amendments relating to offsetting financial assets and financial liabilities.

**Musgrove Minerals Corp**

Notes to the condensed consolidated interim financial statements

Three and six months ended May 31, 2014

(Unaudited - Expressed in Canadian dollars)

**4. Marketable securities**

As at May 31, 2014 and November 30, 2013, the Company's marketable securities comprise of investments in common shares of Canadian 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. A summary of the Company's marketable securities are as follows:

<b>As at May 31, 2014</b>				
<b>Cost</b>	<b>Unrealized gain</b>	<b>Impairment in prior years</b>	<b>Fair value</b>	
\$	\$	\$	\$	
475,000	58,250	(171,000)	362,250	

  

<b>As at November 30, 2013</b>				
<b>Cost</b>	<b>Unrealized gain</b>	<b>Impairment</b>	<b>Fair value</b>	
\$	\$	\$	\$	
295,000	26,250	(171,000)	150,250	

During six months ended May 31, 2014, the Company disposed various marketable securities at its cost for proceeds of \$40,000 (Note 6).

**5. Equipment**

	<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	1,456	-	-	-	1,456
At November 30, 2013	15,752	7,291	6,547	5,887	35,477
Additions	-	-	-	-	-
At May 31, 2014	15,752	7,291	6,547	5,887	35,477
<b>Amortization:</b>					
At November 30, 2012	11,899	5,133	5,948	4,115	27,095
Charge for the year	2,797	2,158	599	1,772	7,326
At November 30, 2013	14,696	7,291	6,547	5,887	34,421
Charge for the six months period	528	-	-	-	528
At May 31, 2014	15,224	7,291	6,547	5,887	34,949
<b>Net book value:</b>					
At November 30, 2013	1,056	-	-	-	1,056
At May 31, 2014	528	-	-	-	528

**Musgrove Minerals Corp**

Notes to the condensed consolidated interim financial statements

Three and six months ended May 31, 2014

(Unaudited - Expressed in Canadian dollars)

**6. Exploration and evaluation assets**

	November 30, 2012	Changes	November 30, 2013	Changes	May 31, 2014
	\$	\$	\$	\$	\$
<b><u>Empire Mine Property, U.S.A.</u></b>					
Acquisition Costs	192,321	-	192,321	-	192,321
Exploration Expenditures	-		-		-
Administrative	46,979	-	46,979	-	46,979
Assay	13,072	-	13,072	-	13,072
Drilling	165,130	-	165,130	-	165,130
Field and exploration	561,573	-	561,573	-	561,573
Geological	352,434	-	352,434	-	352,434
Staking and maintenance fees	6,929	13,382	20,311	-	20,311
Option payments received	(318,730)	(45,000)	(363,730)	(240,000)	(603,730)
Impairment		(715,444)	(715,444)	-	(715,444)
Effect of change in foreign exchange	-	18,773	18,773	5,498	24,271
	1,019,708	(728,289)	291,419	(234,502)	56,917
<b><u>Musgrove, U.S.A.</u></b>					
Acquisition	696,995	10,234	707,229	10,860	718,089
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	185,752	-	185,752	-	185,752
Staking and maintenance fees	110,110	1,920	112,030	-	112,030
Impairment		(1,740,000)	(1,740,000)	-	(1,740,000)
Effect of change in foreign exchange	-	5,748	5,748	3,280	9,028
	1,895,933	12,154	173,835	10,860	187,975
<b>Total</b>	2,915,641	(716,135)	465,253	(223,642)	244,891

**Empire Mine Property, USA**

On July 26, 2011, the Company exercised its options on exploration and lease agreements (the "Underlying Agreements") to earn a 100% operating interest in certain mining claims at the Empire Mine Property in Idaho, U.S.A. The lease has a term of 12 years.

Under the terms of the Underlying Agreement, the Company is required to:

- Make annual royalty payments of US\$57,000;
- Pay the annual holding fees to the Bureau of Land Management;
- Make an advanced royalty payment of US\$30,000 by June 1, 2012 (paid);
- Complete metallurgical studies and laboratory analysis by September 1, 2013 (completed);

**Musgrove Minerals Corp**

Notes to the condensed consolidated interim financial statements

Three and six months ended May 31, 2014

(Unaudited - Expressed in Canadian dollars)

**6. Exploration and evaluation assets (continued)**  
**Empire Mine Property, USA (continued)**

- Upon the completion sufficient drilling to make the "initial reserves" calculation, make a payment of US\$11,500 or issue the equivalent amount of the Company's common shares;
- Upon completion of resource calculations and delivering a copy to the underlying owners of the property, make a payment of US\$31,500 or issue the equivalent amount of the Company's common shares;
- Complete a NI 43-101 report within 5 years; and make a payment of \$51,500 or issue the equivalent amount of the Company's common shares; and
- Upon completion of a Record of Decision issued by the United States Forest Service or the completion of a Permit to Operate issued by the State of Idaho, make a payment of \$125,000 or issue the equivalent amount of the Company's common shares.

Upon commencement of commercial production, the property is subject to a 2.5 % Net Smelter Return ("NSR") royalty which may be reduced to 1.5% for a payment of US\$2,400,000.

During the year ended November 30, 2012, the Company entered into an option agreement with Konnex Resources Inc. ("Konnex"), a subsidiary of Boxxer Gold Corp. ("Boxxer"), to grant Konnex the option to acquire 100% of the Company's interest in its Empire Mine Property (the "Konnex Agreement"). Under the Konnex Agreement dated April 23, 2012, and as amended on February 7, 2013 and March 5, 2014, Konnex assumed all the property payments and commitments and is also required to make the following payments to the Company:

Cash payments	\$
April 6, 2012 (received)	40,000
May 10, 2012 (received)	200,000
July 10, 2012 (received)	50,000
April 1, 2013 (received)	25,000
September 10, 2013 (received)	10,000
October 1, 2013 (received)	10,000
January 1, 2014 (received)	10,000
April 1, 2014 (received)	10,000
July 1, 2014 (received subsequent to six months ended May 31, 2014)	10,000
October 1, 2014	10,000
January 1, 2015	10,000
\$7,500 on April 1, July 1, October 1 of 2015, totaling	22,500
\$7,500 on January 1, April 1, July 1, October 1 of 2016, totaling	30,000
January 1, 2017	7,500
<b>Total</b>	<b>445,000</b>

Share issuances	Number of Boxxer Shares	Number of Konnex Shares
November 9, 2012 (received)	-	150,000
April 1, 2013 (received)	-	1,000,000
October 30, 2013 (received at fair value of \$40,000)	2,000,000	-
April 30, 2014 (received at fair value of \$180,000)	6,000,000	-
<b>Total</b>	<b>8,000,000</b>	<b>1,150,000</b>

## Musgrove Minerals Corp

Notes to the condensed consolidated interim financial statements

Three and six months ended May 31, 2014

(Unaudited - Expressed in Canadian dollars)

### 6. Exploration and evaluation assets (continued) Empire Mine Property, USA (continued)

Konnex shall also pay \$100,000 to the Company no later than 30 days after the completion of a NI 43-101 compliant pre-feasibility study.

Upon the completion of a NI 43-101 compliant Bankable Feasibility Study (“BFS”), Konnex shall make an additional cash payment of \$250,000 per each 100,000,000 pounds of copper reserves as determined by the BFS to the Company no later than 30 days after the completion of the BFS.

Pursuant to the amendments made to the Konnex Agreement to reduce the future option payments, the Company impaired the Empire Mine Property and recorded an impairment charge of \$715,444 on the property during the year ended November 30, 2013.

#### Musgrove Creek Property, USA

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

For certain claims’ underlying the Musgrove Creek Property, the lease has a 10 year term and can be renewed for two successive terms of 10 years provided that the conditions of the lease are met. The Company is required to pay annual lease payments to the underlying lessor of US\$50,000 per year for the remaining life of the lease. These claims are subject to an underlying 2% production royalty and a lump sum payment of US\$350,000 upon completion of a feasibility study. The Company is also required to incur minimum annual exploration expenditures of US\$100,000 during the term of the lease. Any excess expenditure incurred in previous years may be carried forward and credited to the subsequent years.

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

Annual lease payments	US\$
June 12, 2013 (paid)	10,000
December 12, 2013 (paid)	10,000
June 12, 2014 (paid subsequent to six months ended May 31, 2014)	10,000
December 12, 2014	10,000
June 12, 2015	110,000
June 12, 2016 and each year thereafter	50,000

The minimum annual exploration expenditures were also waived for the period of May 1, 2013 to April 30, 2016.

During the year ended November 30, 2013, management assessed that the property was impaired and recorded a \$1,740,000 impairment charge on the property.

As at May 31, 2014, the Company deposited a reclamation bond of \$nil (November 30, 2013 - \$5,859) in connection with this Musgrove Creek Property.

**Musgrove Minerals Corp**

Notes to the condensed consolidated interim financial statements

Three and six months ended May 31, 2014

(Unaudited - Expressed in Canadian dollars)

**7. Payables and accrued liabilities**

	<b>May 31, 2014</b>	<b>November 30, 2013</b>
	\$	\$
Trade payables	45,817	52,804
Due to related parties (Note 13)	48,300	105,235
Accruals	22,460	27,710
	<u>116,577</u>	<u>185,749</u>

**8. Short-term loans**

As at November 30, 2013 and May 31, 2014, the Company's had loans outstanding of \$1,205. These loans are unsecured, have no specified terms of repayment and do not bear interest.

**9. Share capital****Authorized**

Unlimited number of common shares without par value.

**Issued and Outstanding**

On March 5, 2014, the Company consolidated its outstanding shares on a five to one basis. All share and per share amounts have been retroactively restated to reflect the stock consolidation.

There was no share issuance nor redemption during six months ended May 31, 2014.

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

Balance, November 30, 2011	81,510
Expired	(1,260)
Balance, November 30, 2012	80,250
Expired	(70,250)
Balance, November 30, 2013, and May 31, 2014	<u>10,000</u>

As at May 31, 2014 the Company had 10,000 options outstanding and exercisable with an exercise price of \$5.00 and a remaining life of 1.78 years.

**11. Warrants**

A continuity of the Company's outstanding warrants is as follows:

Balance, November 30, 2012	1,490,016
Expired	(190,016)
Balance, November 30, 2013	1,300,000
Expired	(1,300,000)
Balance, May 31, 2014	<u>-</u>

**Musgrove Minerals Corp**

Notes to the condensed consolidated interim financial statements

Three and six months ended May 31, 2014

(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. Related party transactions**

	<b>Six months ended May 31, 2014</b>	<b>Six months ended May 31, 2013</b>
	\$	\$
Directors' fees	16,500	-

## Key Personnel Compensation:

	<b>Six months ended May 31, 2014</b>	<b>Six months ended May 31, 2013</b>
	\$	\$
Consulting fees	60,000	85,000

As at May 31, 2014, \$30,000 (2013/11/30 - \$100,000) was owing to the Chief Executive Officer of the Company, \$1,800 (2013/11/30 - \$5,235) was owing to the Chief Financial Officer of the Company and \$16,500 (2013/11/30 - \$Nil) was owing to directors of the Company. The amounts owing to related parties do not bear interest, are unsecured and are due on demand.

**14. Financial instruments****Classification of financial instruments**

Financial assets of the Company are as follows:

	<b>May 31, 2014</b>	<b>November 30, 2013</b>
	\$	\$
Loans and receivables:		
Cash and cash equivalents	84,867	214,475
Available for sale financial assets:		
Marketable securities	362,250	150,250
	447,117	364,725

## Musgrove Minerals Corp

Notes to the condensed consolidated interim financial statements

Three and six months ended May 31, 2014

(Unaudited - Expressed in Canadian dollars)

### 14. Financial instruments (continued)

#### Classification of financial instruments (continued)

Financial liabilities of the Company are as follows:

	May 31, 2014	November 30, 2013
	\$	\$
Non-derivative financial liabilities:		
Trade payables	45,817	52,804
Due to related parties	48,300	105,235
Short-term loans	1,205	1,205
	95,322	159,244

#### Fair value

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

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

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

The following is an analysis of the Company's financial assets measured at fair value as at November 30, 2013 and May 31, 2014:

	As at November 30, 2013		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash and cash equivalent	214,475		
Marketable securities	150,250	-	-

  

	As at May 31, 2014		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash and cash equivalent	84,867	-	-
Marketable securities	362,250	-	-

### 15. Segmented information

#### Operating segments

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



**Musgrove Minerals Corp**

Notes to the condensed consolidated interim financial statements

Three and six months ended May 31, 2014

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**15. Segmented information (Continued)**Geographic segments

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

	<b>As at November 30, 2013</b>		
	<b>Canada</b>	<b>USA</b>	<b>Total</b>
	\$	\$	\$
Equipment	1,056	-	1,056
Exploration and evaluation assets	-	465,253	465,253
Reclamation bond	-	5,859	5,859
	1,056	471,112	472,168

  

	<b>As at May 31, 2014</b>		
	<b>Canada</b>	<b>USA</b>	<b>Total</b>
	\$	\$	\$
Equipment	528	-	528
Exploration and evaluation assets	-	244,891	244,891
	528	244,891	245,419