



## Musgrove Minerals Corp.

### Management Discussion and Analysis Three and Nine Months Ended August 31, 2014

#### 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 three and nine months ended August 31, 2014 and is presented in Canadian Dollars. This MD&A has been prepared effective as of October 27, 2014.

This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the same periods and with the audited consolidated financial statements for the most recent year ended November 30, 2013 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and presented in Canadian Dollars.

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

| <b><i>Forwarding looking statements</i></b>  | <b><i>Assumptions</i></b>  | <b><i>Risk factors</i></b>  |
|--|--|---|
| <i>On August 31, 2014, the Company had a cash balance of \$183,330 and a working capital of \$317,328. As the Company is curtailing its operations, management believes the current liquidity on hand is sufficient to maintain the Company's operations in the next twelve months.</i>                  | <i>Based on the cash used for operating activities during 2014 year to date, 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.</i> | <i>Unexpected significant operating or investing expenditures that may incur in the future</i>    |
| <i>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 or new farm-out/joint venture arrangement.</i> | <i>Based on the past history of the Company, the Company was able to raise funds when needed through either private placement or debt financing</i>  | <i>Change in interest rate, support by related parties, change in condition of capital market</i> |

### **Overall Performance**

The Company was incorporated under the laws of British Columbia, Canada on March 29, 2000. The Company's office is located at Suite 2600-1066 West Hasting St., Vancouver, V6E 3X1. The Company's common shares are traded on the TSX Venture Exchange under the symbol MGS and on the OTC market (Symbol: MGS GF) 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 the USA.

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. Management realizes that 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 had decided to curtail the Company's operations and will not conduct significant exploration activities until the Company has resources to finance such exploration activities.

### **Discussion of Operations**

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.

### **Share Consolidation**

Commencing March 5, 2014, the Company consolidated its outstanding shares on a five-to-one basis. All number of shares, options, warrants, earning (loss) per share, exercise price of warrants and options presented in this MD&A have been retroactively restated to reflect this share consolidation.

### **Private placement**

On August 18, 2014, the Company closed a private placement for issuance of 2,222,222 units at a price of \$0.09/unit (gross proceeds of \$200,000). Each unit consisted of one common share and one share purchase warrants. Each of these 2,222,222 warrants is exercisable into one common share of the Company at \$0.12/share. These warrants will expire on August 18, 2017.

### **Mineral Properties Update**

All of the Company's mineral properties are in the exploration stage. Details about the exploration costs incurred during nine months ended August 31, 2014 are presented in the Note 6 to the Company's condensed consolidated interim financial statements for the three and nine months ended August 31, 2014 ("2014 Nine Months Interim Financial Statements").

Following are descriptions of the Company's mineral properties and their progress during the nine months ended August 31, 2014.

#### 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.musgrove minerals.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 (paid) |
| • June 12, 2014                          | US\$ 10,000 (paid) |
| • 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. However, the minimum annual exploration expenditures were 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 due to the decrease in gold prices and recorded a \$1,740,000 impairment charge on the property.

In order to preserve cash, the Company did not perform exploration work except the payment of the annual lease of \$20,860 (US\$20,000) as scheduled during the nine months ended May 31, 2014. 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 for the time being.

#### 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.

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 under the Underlying Agreements and is also required to make the following payments:

| 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)  | 10,000         |
| October 1, 2014 (paid after nine months ended August 31, 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> |

| <b>Share issuances</b>                                | Number of<br>Boxxer Shares | Number of<br>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>           |

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

In order to preserve cash, the Company did not perform exploration work during nine months ended August 31, 2014.

### **Summary of Quarterly Results**

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

|                                   | 2014      |          |          | 2013        |          |          |           | 2012     |
|-----------------------------------|-----------|----------|----------|-------------|----------|----------|-----------|----------|
|                                   | August 31 | May 31   | Feb 28   | Nov30       | Aug 31   | May 31   | Feb 28    | May 31   |
|                                   | \$        | \$       | \$       | \$          | \$       | \$       | \$        | \$       |
| Total Revenues                    | -         | -        | -        | -           | -        | -        | -         | -        |
| Loss from continuing operations   | (221,259) | (83,618) | (28,642) | (2,595,683) | (43,373) | (52,371) | (120,821) | (83,618) |
| Loss per share, basic and diluted | (0.06)    | (0.03)   | (0.01)   | (0.83)      | (0.01)   | (0.02)   | (0.04)    | (0.03)   |

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 operation. Other factors that affect the losses among these eight quarters are losses from the

disposition and impairment write down 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. The loss in the quarters ending November 30, 2013 was higher than the other quarters because the Company took impairment charges of \$2,455,444 in this quarter.

### **Results of Operations**

#### **Nine months ended August 31, 2014 ("2014 Nine Months")**

The Company's loss in 2014 Nine Months was \$333,519 (2013 Nine Months— loss of \$216,565), an increase of \$116,954. The increase was mainly a combined result of \$3,640 increase in operating expenses and \$102,500 increase of the loss from disposition of marketable securities (2014 Nine Months-\$102,500; 2013 Nine Months - \$Nil), which is considered non-recurring.

During 2014 Nine Months, the Company's operating expense was \$231,710 (2013 Nine months - \$228,070). Major operating expenses were \$16,834 in filing and transfer agent fees (2013 Nine Months— \$12,823), \$15,590 in office expenses (2013 Nine Months - \$17,835), \$183,825 in consulting, director, and management fees (2013 Nine Months - \$155,300). Operating expenses in 2014 Nine Months were generally similar to the same period in 2013 as the Company curtailed its operation in both periods. Consulting, director, and management fees increased \$28,525 in 2014 Nine Months was a combined result of engaging external consultant services during 2013 Nine Months to identify potential projects for future investment, and directors were paid for their services rendered (2014 Nine months - \$24,750, 2013 Nine Months - \$Nil)

As at August 31, 2014, the Company had \$183,330 cash (November 30, 2013 - \$214,475), \$248,095 exploration and evaluation assets (November 30, 2013 - \$465,253), \$73,827 accounts payable and accrued liabilities (November 30, 2013 - \$185,749), and \$16,513,350 share capital (November 30, 2013 - \$16,313,350).

The decrease of cash is a combined result of using \$378,644 in operating activities and paying down of accounts payable, which were offset by the receipt of \$30,000 option payments in connection with the Company's Empire Mine Property \$132,500 from disposition of marketable securities, and \$200,000 from a private placement closed on August 18, 2014.

#### **Three months ended August 31, 2014 ("2014 Q3")**

The Company's loss in 2014 Q3 was \$2121,259 (2013 Q3— loss of \$43,373), an increase of \$177,866. The increase was mainly a combined result of a \$102,500 increase of the loss from disposition of marketable securities (2014 Q3-\$102,500; 2013 Q2 - \$Nil), which is considered non-recurring, and an increase of 71,571 in operating expenses (2014 Q3 - \$118,759; 2013 Q3 - \$47,188).

During 2014 Q3, the Company's major operating expenses were \$5,714 in filing and transfer agent fees (2013 Q3— \$2,949), \$4,429 in professional fees (2013 Q3 - \$4,639), \$103,450 in consulting, director, and management fees (2013 Q3 -\$32,150). Operating expenses in 2014 Q3 were generally similar to the same period in 2013 as the Company curtailed its operation in both periods. Consulting, director, and management fees was higher because the Company engaged more external consultant services during 2013 Q3 to identify potential projects for future investment, and paid directors for their services rendered.

### **Share Data**

As at the date of this MD&A, the Company has 5,335,097 common shares outstanding, 10,000 stock options and 2,222,222 share purchase warrants that are convertible to the Company's common shares on a one-to-one basis.

### **Liquidity and Capital Resources**

Financing of operations has been achieved primarily by equity and debt financing. On August 31, 2014, the Company had a cash balance of \$183,330 and a working capital of \$317,328. As the Company is curtailing its operations, management believes the current liquidity on hand is sufficient to maintain the Company's operations in the next twelve months. 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 or new farm-out/joint venture arrangement. 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. Management believes the Company is not subject to significant liquidity risk as at August 31, 2014.

### **Commitments**

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 Konnex Agreement between Konnex and the Company became effective.

#### **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 2014 Nine Months are as follows:

| <b>Name</b>                                    | <b>Nature</b>   | <b>Amount</b> |
|--|-----------------|---------------|
| <b>Transaction with management:</b>            |                 |               |
| Rana Vig, CEO                                  | Management fees | \$ 90,000     |
| Larry Tsang, CFO                               | Consulting fees | \$4,075       |
| <b>Transactions with directors</b>             |                 |               |
| Martin Bernholtz                               | Director's fees | \$6,750       |
| T. Greg Hawkins                                | Director's fees | \$4,500       |
| Rana Vig                                       | Director's fees | \$4,500       |
| Sandy Janda                                    | Director's fees | \$4,500       |
| Norman Brewster                                | Director's fees | \$4,500       |
| <b>Transactions with other related parties</b> | Director's fees | \$Nil         |

As at August 31, 2014, \$Nil (2013/11/30 - \$100,000) was owing to the Chief Executive Officer of the Company, \$3,800 (2013/11/30 - \$5,235) was owing to the Chief Financial Officer of the Company and \$Nil (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.

### **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 2014 Nine Months Interim 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 16 to the Company's audited annual financial statements for the year ended November 30, 2013 and Note 14 to the Company's 2014 Nine Months Interim 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 (Stepped down on October 24, 2014)

Martin Bernholtz, Director

Norman Brewster, Director

Sandy Janda, Director (Stepped down on October 24, 2014)