



CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED NOVEMBER 30, 2014

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Musgrove Minerals Corp.

We have audited the accompanying consolidated financial statements of Musgrove Minerals Corp., which comprise the consolidated statements of financial position as at November 30, 2014 and 2013 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Musgrove Minerals Corp. as at November 30, 2014 and 2013 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Musgrove Minerals Corp.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
March 27, 2015

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

MUSGROVE MINERALS CORP.
Consolidated statements of financial position
(Expressed in Canadian Dollars)

	Note	November 30, 2014	November 30, 2013
ASSETS		\$	\$
Current			
Cash		139,442	214,475
Marketable securities	4	22,000	150,250
GST receivable		16,290	3,285
		177,732	368,010
Non-current			
Equipment	5	-	1,056
Exploration and evaluation assets	6	-	465,253
Reclamation bond	6	-	5,859
		-	472,168
TOTAL ASSETS		177,732	840,178
LIABILITIES			
Current			
Trade payables and accrued liabilities	7	110,416	185,749
Short-term loans	8	1,205	1,205
		111,621	186,954
EQUITY			
Share capital	9	16,513,350	16,313,350
Reserves	12	5,026,343	5,023,065
Deficit		(21,473,582)	(20,683,191)
		66,111	653,224
TOTAL LIABILITIES AND EQUITY		177,732	840,178

Nature and continuance of operations (Note 1)

APPROVED FOR ISSUANCE BY THE BOARD OF DIRECTORS ON MARCH 27, 2015

“Norman Brewster”

Director

“Rana Vig”

Director

MUSGROVE MINERALS CORP.
Consolidated statements of comprehensive loss
(Expressed in Canadian Dollars)

	Note	Year ended 2014	November 30, 2013
		\$	\$
EXPENSES			
Amortization	5	1,056	7,326
Advertisement and promotion		14,589	1,900
Consulting fees	13	223,296	172,100
Directors' fees	13	33,000	-
Filing and transfer agent fees		25,467	15,012
Professional fees		27,847	14,800
Miscellaneous property exploration		-	6,145
Office		16,250	27,595
Rent		-	10,757
Travel		-	2,942
LOSS BEFORE OTHER ITEMS		(341,505)	(258,577)
Foreign exchange gain	4	2,617	2,671
Gain (loss) from disposal of marketable securities		(142,500)	68,750
Interest income		691	12,940
Impairment on exploration and evaluation assets	6	(226,297)	(2,455,444)
Impairment of marketable securities		(90,000)	(171,000)
Other income		6,603	1,677
Write-off of IVA receivable	16	-	(13,265)
NET LOSS		(790,391)	(2,812,248)
OTHER COMPREHENSIVE LOSS			
Net loss for the period		(790,391)	(2,812,248)
Other Comprehensive loss :			
Translation gain		26,528	23,876
Unrealized gain (loss) of marketable securities	4	(23,250)	161,250
COMPREHENSIVE LOSS		(787,113)	(2,627,122)
Basic and diluted loss per share		(0.21)	(0.90)
Weighted average number of shares - Basic and diluted		3,746,051	3,112,875

- See accompanying notes to the consolidated financial statements -

MUSGROVE MINERALS CORP.
Consolidated statements of changes in equity
(Expressed in Canadian Dollars)

	Note	Number of shares	Share capital	Reserves				Deficit	Total
				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		-	-	-	23,876	-	-	-	23,876
Unrealized gain on marketable securities		-	-	161,250	-	-	-	-	161,250
Net loss		-	-	-	-	-	-	(2,812,248)	(2,812,248)
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
Translation gain		-	-	-	26,528	-	-	-	26,528
Issuance of shares for cash	9	2,222,222	200,000	-	-	-	-	-	200,000
Unrealized loss on marketable securities		-	-	(23,250)	-	-	-	-	(23,250)
Net loss		-	-	-	-	-	-	(790,391)	(790,391)
Balance at November 30, 2014		5,335,097	16,513,350	3,000	67,380	1,968,249	2,987,714	(21,473,582)	66,111

- See accompanying notes to the consolidated financial statements -

MUSGROVE MINERALS CORP.
Consolidated statements of cash flows
(Expressed in Canadian Dollars)

	Year ended November 30,	
	2014	2013
	\$	\$
Operating activities		
Net loss	(790,391)	(2,812,248)
Adjustments for non-cash items:		
Amortization	1,056	7,326
Loss (gain) from disposal of marketable securities	142,500	(68,750)
Interest income	-	(12,940)
Impairment of exploration and evaluation assets	226,297	2,455,444
Impairment of marketable securities	90,000	171,000
Other income	(6,603)	-
Write-off of IVA receivable	-	13,265
Changes in non-cash working capital items:		
GST receivable	(13,005)	(620)
Prepaid expense	-	15,013
Trade payables and accrued liabilities	(75,333)	101,097
Cash flows used in operating activities	(425,479)	(131,413)
Investing activities		
Acquisition of equipment	-	(1,457)
Additions to exploration and evaluation assets	(39,163)	(25,536)
Option payments received	50,000	45,000
Proceeds received on disposal of marketable securities	132,500	53,750
Proceeds received on sale of Vianey property	-	100,000
Receipt of reclamation bond	5,859	-
Cash flows provided by investing activities	149,196	171,757
Financing activities		
Proceeds from the issuance of shares	200,000	-
Cash flows provided by financing activities	200,000	-
Effect of foreign exchange on cash	1,250	(644)
Increase(decrease) in cash	(75,033)	39,700
Cash, beginning	214,475	174,775
Cash, ending	139,442	214,475
Non-cash transactions:		
200,000 Grand Peak shares received	-	100,000
8,000,000 Boxxer shares received	260,000	-

MUSGROVE MINERALS CORP.

Notes to the consolidated financial statements

Year ended November 30, 2014

(Expressed in Canadian dollars)

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 Suite 2600-1066 West Hasting St., Vancouver, V6E 3X1. 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 consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at November 30, 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

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

3. Significant accounting policies

Basis of preparation and consolidation

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

These consolidated 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, Musgrove 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.

MUSGROVE MINERALS CORP.

Notes to the consolidated financial statements

Year ended November 30, 2014

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Significant accounting judgments and estimates

Significant estimates

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the 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 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.

MUSGROVE MINERALS CORP.

Notes to the consolidated financial statements

Year ended November 30, 2014

(Expressed in Canadian dollars)

3. Significant accounting policies

Foreign currency translation (continued)

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.

Exploration and evaluation expenditures

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred. Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option. Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued. Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

Farms outs

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized. If the consideration exceeds amounts previously capitalized, any excess is recorded in the statement of comprehensive loss.

MUSGROVE MINERALS CORP.

Notes to the consolidated financial statements

Year ended November 30, 2014

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Share-based payments

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy.

Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets..

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

MUSGROVE MINERALS CORP.

Notes to the consolidated financial statements

Year ended November 30, 2014

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Impairment of assets

The carrying amount of the Company's assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. For all periods presented, diluted loss per share equals basic loss per share as the impact of outstanding options and warrants would be anti-dilutive.

MUSGROVE MINERALS CORP.

Notes to the consolidated financial statements

Year ended November 30, 2014

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of restoration costs, are charged to the statement of comprehensive loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to the statement of comprehensive loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

Equipment

Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Amortization is calculated on a basis to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of equipment are as follows:

Computer equipment	55% Declining Balance
Furniture and fixtures	20% Declining Balance
Leasehold improvements	20% Straight Line
Vehicle	30% Declining Balance

MUSGROVE MINERALS CORP.

Notes to the consolidated financial statements

Year ended November 30, 2014

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Income taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, no value is assigned to the warrants.

Accounting standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after December 1, 2014 or later periods and have not been early adopted in these consolidated financial statements:

IFRS 9 Financial Instruments – This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. 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 with early adoption permitted. The Company is currently evaluating the impact IFRS 9 will have on its consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s consolidated financial statements.

MUSGROVE MINERALS CORP.

Notes to the consolidated financial statements

Year ended November 30, 2014

(Expressed in Canadian dollars)

4. Marketable securities

As at November 30, 2013 and 2014 the Company's marketable securities comprised 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:

As at November 30, 2014			
Cost	Unrealized gain	Accumulated Impairment	Fair value
\$	\$	\$	\$
280,000	3,000	(112,000)	22,000

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

During the year ended November 30, 2014, the Company disposed various marketable securities with a cost of \$275,000 (2013 - \$Nil) for the proceeds of \$132,500 (2013 - \$68,750) and recorded a loss of \$142,500 (2013 – gain of \$68,750) on the disposal.

5. Equipment

	Computer equipment	Furniture and fixtures	Leasehold improvements	Vehicle	Total
	\$	\$	\$	\$	\$
Cost:					
At November 30, 2012	14,296	7,291	6,547	5,887	34,021
Additions	1,456	-	-	-	1,456
At November 30, 2013 and 2014	15,752	7,291	6,547	5,887	35,477
Amortization:					
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 year	1,056	-	-	-	1,056
At November 30, 2014	15,752	7,291	6,547	5,887	35,477
Net book value:					
At November 30, 2013	1,056	-	-	-	1,056
At November 30, 2014	-	-	-	-	-

MUSGROVE MINERALS CORP.

Notes to the consolidated financial statements

Year ended November 30, 2014

(Expressed in Canadian dollars)

6. Exploration and evaluation assets

	November 30, 2012	Additions	November 30, 2013	Additions	November 30, 2014
	\$	\$	\$	\$	\$
<u>Empire Mine Property, U.S.A.</u>					
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	561,572	-	561,572	-	561,572
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)	(303,397)	(667,127)
Impairment	-	(715,444)	(715,444)	-	(715,444)
Effect of change in foreign exchange	-	18,773	18,773	11,979	30,750
	1,019,707	(728,289)	291,418	(291,418)	-
<u>Musgrove, U.S.A.</u>					
Acquisition	696,995	10,234	707,229	20,860	728,089
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	18,303	130,333
Impairment	-	(1,740,000)	(1,740,000)	(226,297)	(1,740,000)
Effect of change in foreign exchange	-	5,748	5,748	13,300	19,048
	1,895,933	12,154	173,835	(173,835)	-
Total	2,915,640	(716,135)	465,253	(465,253)	-

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 consolidated financial statements

Year ended November 30, 2014

(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)	10,000
October 1, 2014 (received)	10,000
January 1, 2015 (received)	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
Total	445,000

Share issuances	Number of Boxxer Shares	Number of Konnex Shares
November 9, 2012 (received, with a fair value of \$Nil)	-	150,000
April 1, 2013 (received, with a fair value of \$Nil)	-	1,000,000
October 30, 2013 (received, with a fair value of \$80,000)	2,000,000	-
April 30, 2014 (received, with a fair value of \$180,000)	6,000,000	-
Total	8,000,000	1,150,000

MUSGROVE MINERALS CORP.

Notes to the consolidated financial statements

Year ended November 30, 2014

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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 December 10, 2014, the lease agreement was further amended as follows:

<u>Annual lease payments</u>	<u>US\$</u>
June 12, 2013 (paid)	10,000
December 12, 2013 (paid)	10,000
June 12, 2014 (paid)	10,000
December 12, 2014 (paid subsequent to the year ended November 30, 2014)	10,000
June 12, 2015	5,000
December 12, 2015	5,000
June 12, 2016	10,000
December 12, 2016 and each year thereafter until the end of the lease agreement	10,000

The minimum annual exploration expenditures were also waived for the period of May 1, 2013 to April 30, 2019.

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. During the year ended November 30, 2014, management fully impaired the property as they did not have any plans to explore the property in the near future.

During the year ended November 30, 2014, the Company redeemed a reclamation bond of \$5,859 which was previously deposited in connection with this Musgrove Creek Property.

MUSGROVE MINERALS CORP.

Notes to the consolidated financial statements

Year ended November 30, 2014

(Expressed in Canadian dollars)

7. Trade payables and accrued liabilities

	November 30, 2014	November 30, 2013
	\$	\$
Trade payables	62,706	52,804
Due to related parties (Note 13)	12,500	105,235
Accruals	35,210	27,710
	110,416	185,749

8. Short-term loans

As at November 30, 2013 and 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.

On August 18, 2014, the Company closed a private placement for issuance of 2,222,222 units at a price of \$0.09 per unit for gross proceeds of \$200,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share of the Company at \$0.12 per share for a period of 3 years. No value was allocated to these warrants.

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 2014	10,000

As at November 30, 2014 the Company had 10,000 options outstanding and exercisable with an exercise price of \$5.00 and a remaining life of 1.28 years.

MUSGROVE MINERALS CORP.

Notes to the consolidated financial statements

Year ended November 30, 2014

(Expressed in Canadian dollars)

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)
Issuance on August 18, 2014	2,222,222
Balance, November 30, 2014	2,222,222

As at November 30, 2014 the Company had 2,222,222 outstanding and exercisable with an exercise price of \$0.12 and a remaining life of 2.5 years.

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.

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 assets.

MUSGROVE MINERALS CORP.

Notes to the consolidated financial statements

Year ended November 30, 2014

(Expressed in Canadian dollars)

13. Related party transactions

	Year ended November 30, 2014	Year ended November 30, 2013
	\$	\$
Directors' fees	33,000	-

Key Personnel Compensation:

	Year ended November 30, 2014	Year ended November 30, 2013
	\$	\$
Consulting fees	127,725	172,100

As at November 30, 2014, \$10,000 (2013 - \$100,000) was owing to the Chief Executive Officer of the Company and \$2,500 (2013 - \$5,235) was owing to the Chief Financial Officer of the Company. The amounts owing to related parties do not bear interest, are unsecured and are due on demand.

14. Financial instrumentsClassification of financial instruments

Financial assets of the Company are as follows:

	November 30, 2014	November 30, 2013
	\$	\$
Loans and receivables:		
Cash	139,442	214,475
Reclamation bond	-	5,859
Available for sale financial assets:		
Marketable securities	22,000	150,250
	159,442	365,310

Financial liabilities of the Company are as follows:

	November 30, 2014	November 30, 2013
	\$	\$
Non-derivative financial liabilities:		
Trade payables	62,706	52,804
Due to related parties	12,500	105,235
Short-term loans	1,205	1,205
	76,411	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:

MUSGROVE MINERALS CORP.

Notes to the consolidated financial statements

Year ended November 30, 2014

(Expressed in Canadian dollars)

14. Financial instruments (continued)

- 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 2014:

	As at November 30, 2013		
	Level 1	Level 2	Level 3
	\$	\$	\$
Marketable securities	150,250	-	-

	As at November 30, 2014		
	Level 1	Level 2	Level 3
	\$	\$	\$
Marketable securities	22,000	-	-

15. Segmented informationOperating segments

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

Geographic segments

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

	As at November 30, 2013		
	Canada	USA	Total
	\$	\$	\$
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

16. Write-off of IVA receivable

During the year ended November 30, 2013, management determined that \$13,265 in value added taxes filed by Minerals Jazz would unlikely be collected and wrote off the amount.

17. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the exploration and development of its exploration and evaluation assets and to sustain future development of the business. The capital structure of the Company consists of share and working capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

MUSGROVE MINERALS CORP.

Notes to the consolidated financial statements

Year ended November 30, 2014

(Expressed in Canadian dollars)

18. Income taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery for the years ended November 30, 2014 and 2013 is as follows:

	Year ended November 30, 2014	Year ended November 30, 2013
	\$	\$
Net loss	(790,391)	(2,812,248)
Statutory tax rate	25%	25%
Expected income tax recovery	(205,502)	(703,062)
Permanent differences	53,594	(75,543)
Change in valuation allowance	225,114	996,829
Effect of change in tax rates	(73,206)	(218,224)
Income tax recovery	-	-

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	November 30, 2014	November 30, 2013
	\$	\$
Deferred income tax assets		
Non-capital losses carry-forward	2,489,346	2,339,345
Capital losses carry-forward	72,733	50,780
Equipment	9,224	8,505
Marketable securities	33,540	18,094
Mineral properties	1,929,272	1,867,141
Share issue costs	16,348	41,575
	4,550,554	4,325,440
Valuation allowance	(4,550,554)	(4,325,440)
Net deferred income tax assets	-	-

As at November 30, 2014, the Company has Canadian non-capital losses of approximately - \$9,720,526 which may be applied to reduce Canadian taxable income of future years, which expire as follows:

	\$
2015	505,062
2026	974,623
2027	809,236
2028	1,314,813
2029	1,090,591
2030	2,241,760
2031	1,420,839
2032	644,769
2033	278,627
2034	440,216
	9,720,526