

Musgrove Minerals Corp. (TSX-V: MGS; OTCQX: MGS GF; Frankfurt: JL4M) - Initiating Coverage; Gold and Polymetallic Projects in Idaho

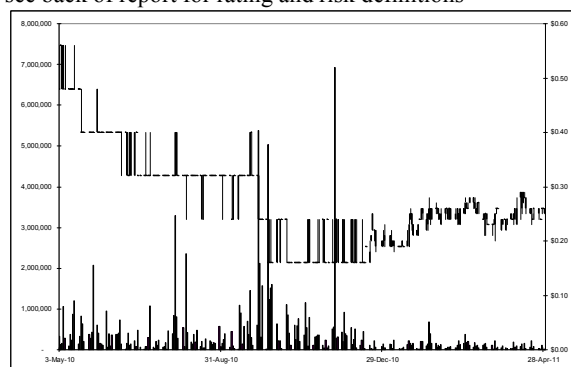
Sector/Industry: Junior Exploration/Mining

www.musgroveminerals.com

Market Data (as of May 6, 2011)

Current Price	C\$0.22
Fair Value	C\$1.66
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.16 – C\$0.56
Shares O/S	32.58 mm
Market Cap	C\$7.17 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	2.3x
YoY Return	-54.2%
YoY TSXV	28.2%

*see back of report for rating and risk definitions



Investment Highlights

- Musgrove's flagship Empire Mine polymetallic project in Idaho has a historic non NI 43-101 compliant resource of 27.88 million tons at 0.42% Cu, 0.23% Zn, 0.33 g/t Au and 10.2 g/t Ag, containing 234 Mlbs Cu, 128 Mlbs Zn, 0.30 Moz Au and 9.15 Moz Ag
- Drilling at Empire Mine has commenced and a prefeasibility study is expected to be completed this year.
- Idaho is a well established mining friendly community with a long history of mining.
- The company's other focus is the Musgrove Creek project in Idaho which has a NI 43-101 inferred resource of 8 Mt grading 1.22g/t Au, containing 313,822 ounces Au.
- Drilling at Musgrove Creek will start in July and an updated resource estimate is expected within the year.
- In January 2011, the company completed a \$2.70 million financing by issuing 17.99 million at a unit price of \$0.15.
- On April 27, 2011, the company announced a non-brokered private placement of up to 6 million units at a unit price of \$0.25 for gross proceeds of up to \$1.50 million.

Risks

- The value of the company is dependent on commodity prices.
- The company does not currently have any operating mines.
- Access to capital and share dilution.

Key Financial Data (FYE - November 30)

(C \$)	2010	Q1-2011
Cash	2,418	445,384
Working Capital	(2,047,789)	(315,114)
Mineral Properties	3,381,598	3,578,873
Total Assets	3,503,406	4,163,003
Net Income	(1,994,415)	(720,394)
EPS	(0.15)	(0.03)

Musgrove is focusing on mineral exploration and development in Idaho, USA. The company's flagship project, the Empire Mine polymetallic project, has a historic non NI 43-101 compliant resource of 27.88 million tons at 0.42% Cu, 0.23% Zn, 0.33 g/t Au and 10.2 g/t Ag, containing 234 Mlbs Cu, 128 Mlbs Zn, 0.30 Moz Au and 9.15 Moz Ag. The company's other focus, the Musgrove Creek project, has a NI 43-101 inferred resource of 8 million tonnes grading 1.22g/t gold containing 313,822 ounces Au in total.

Company Overview

Musgrove Minerals Corp is a Vancouver based mining and exploration company engaged in the acquisition, exploration, development and operation of advanced stage projects in North America. The company's flagship Empire Mine polymetallic project in Idaho has a historic non NI 43-101 compliant resource of 27.88 million tons at 0.42% Cu, 0.23% Zn, 0.33 g/t Au and 10.2 g/t Ag, containing 234 Mlbs Cu, 128 Mlbs. Zn, 0.30 Moz Au and 9.15 Moz Ag. The company's other focus is the Musgrove Creek project in Idaho which has a NI 43-101 inferred resource of 8 million tonnes grading 1.22g/t gold containing 313,822 ounces Au in total. The company is committed in to bringing these two projects forward.

Corporate History

The company was formed in 2000 under the name of Access West Capital Corp and traded on the TSX Venture Exchange under the symbol of AWJ. In 2002, the company combined with Journey Unlimited Equipment Inc. to become Journey Unlimited Omni Brand Corporation and changed its stock symbol to JRY (became JNY in 2004) on the TSX Venture Exchange.

In 2005, the company became involved in mineral exploration activities and acquired 100% ownership of the Vianey property in Mexico from Minerales Jazz S.A. in 2005. The company subsequently changed its name to Journey Resources Corp. The company then acquired two major properties in Idaho, the Musgrove Creek gold property in 2005, and the Empire Mine polymetallic property in 2006. Most recently in December 2010, the company changed its name to Musgrove Minerals Corp. and continued to trade on TSX Venture Exchange under the new symbol MGS.

Empire Mine, Idaho

Project Overview

The Empire Mine project consists of 26 patented mining claims, 6 mill-site claims and 21 unpatented claims in the Alder Creek mining district in Custer County, Idaho (Figure 1). The exploration focus of the project is a polymetallic skarn deposit containing copper, gold, silver and zinc. The project has a past producing mine, the Empire Mine, which produced a total of 765,000 tons grading 3.64% copper, 0.048 oz/t gold and 1.57 oz/t silver. The project has a historical (non NI 43-101 compliant) near-surface resource as listed in the following table.

Table 1 Empire Mine Historic Resource Estimate

Total Tons (Millions)	Metals	Grade	Contained Metals
27.88	Cu	0.42%	234 Mlbs
	Zn	0.23%	128 Mlbs
	Au	0.33 g/t	0.30 Moz
	Ag	10.2 g/t	9.15 Moz

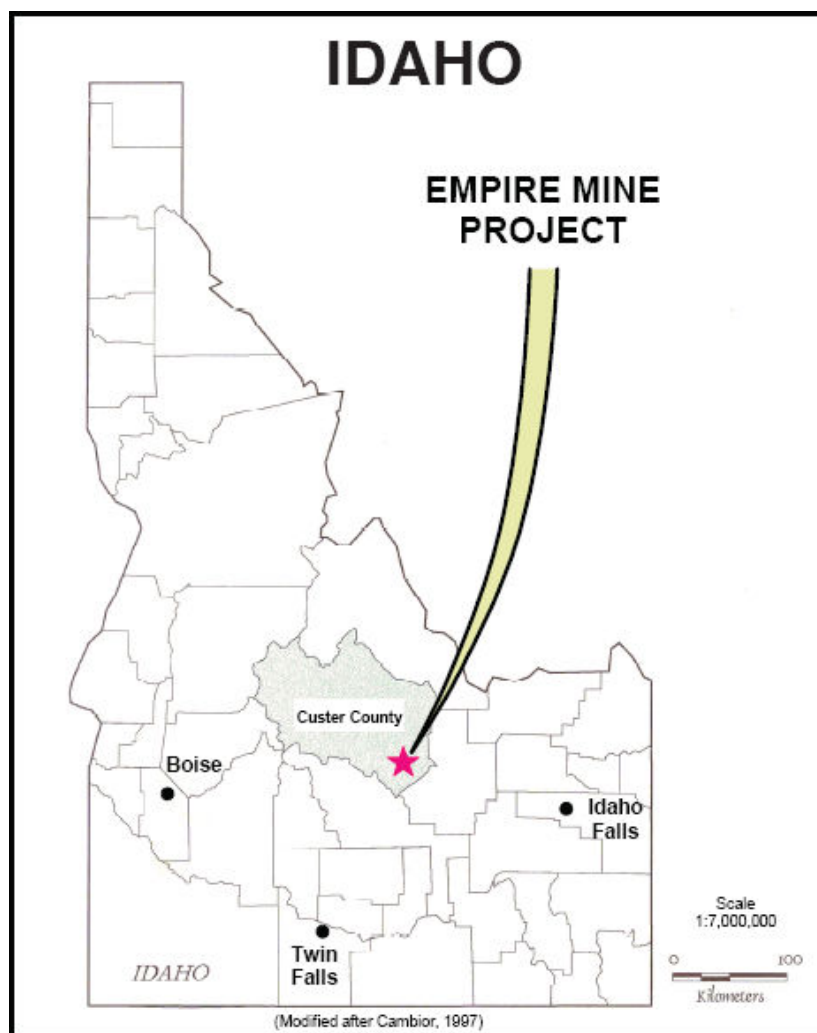


Figure 1 Location of Empire Mine Project

History

Following the first discovery of mineralization in the late 1800's, the Empire underground mine produced 694,000 tonnes of ore grading 3.64% copper, 1.64g/t gold and 53.8g/t silver from 1901 to 1942 (Figure 2). In 1968, an unknown tonnage of copper oxide was mined from the Atlantic-Pacific (AP) surface pit at the south end of the Empire Mine deposit. From 1964 to 1972, 141 holes were drilled in the AP pit area by Cleveland Cliffs Iron Co., Hile Exploration Co., Capital Wire & Cable Co. and US Silver and Mining Corp. In 1975, Exxon Company drilled another 10 holes to explore copper and molybdenum. **Cambior Exploration USA, Inc. spent a total of \$2.7 million in exploration on the project.** Cambior drilled 47 core holes totaling 7,350 meters from 1995 to 1997, and carried out preliminary metallurgical testwork. **Cambior calculated a non NI 43-101 compliant resource of 27.88 million tons at 0.42% Cu, 0.23% Zn, 0.33 g/t Au and 10.2 g/t Ag, which contains 234 Mlbs Cu, 128 Mlbs. Zn, 0.30 Moz Au and 9.15 Moz Ag.** In 2001, Sierra Mining and Engineering LLC prepared a preliminary feasibility report on the property. In 2004, Trio Gold Corp. (TSXV: TKG) explored this property with 700 m drilling and a 5,000 lb metallurgical bulk sample.

Musgrove acquired 50% of Trio's interest in the Empire Mine project in 2006, and subsequently drilled 33 holes on the property in 2006 and 2007. In 2011, Musgrove increased its share in the project and now holds 100% lease interest on the Empire Mine property. Musgrove Minerals has all historic data obtained from previous operators of the project and this data set, we believe, is significant in the company's ability to understand and explore the property.

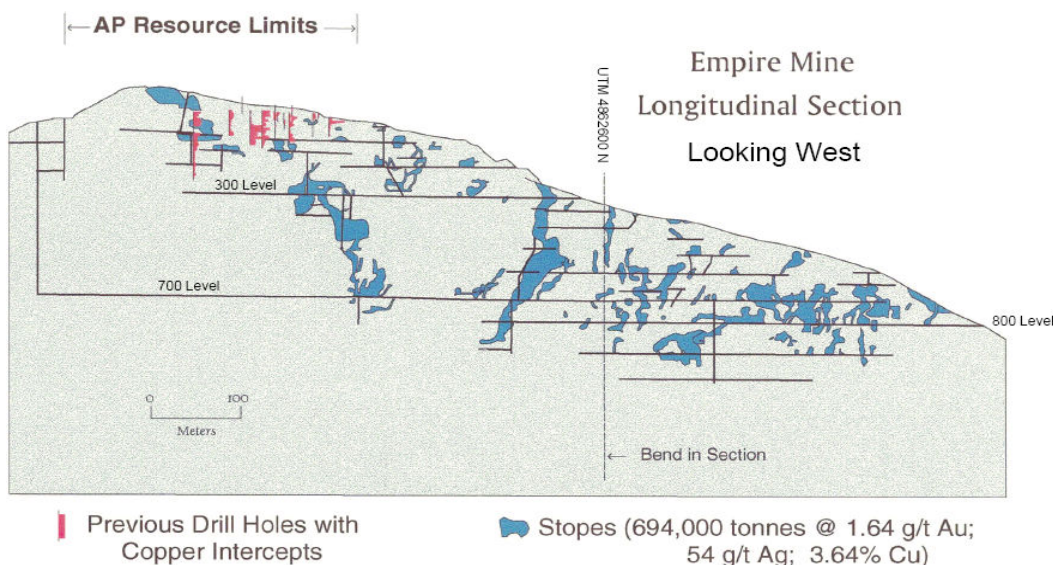


Figure 2 Empire Mine Longitudinal Section

Accessibility and Infrastructure

The Empire Mine property is located in the White Knob mountain range in Custer County, Idaho. The nearest town is Mackay, Idaho, located 5.5 kilometers to the northeast of the property. The small town of Mackay is also the nearest center for basic supplies, services and accommodation. A well maintained all weather gravel road from Mackay leads to the site. Access within the property is provided by a network of four-wheel-drive trails.



Figure 3 Drill Core in Storage Warehouse

The Empire Mine and the company's other focus, the Musgrove Creek property, are located within one hour's drive. The two projects share one warehouse facility for core storage and logging (Figure 3 and Figure 4). This location convenience greatly enhances the company's efficiency in monitoring and managing the two projects.



Figure 4 Storage Warehouse

Geology and Mineralization

The Alder Creek mining district where the Empire Mine project is located is underlain by Mississippian to Devonian age sedimentary rocks, which have been intruded by Tertiary age granites. The intrusive contact hosts the garnet-pyroxene-magnetite polymetallic skarn deposit of the Empire Mine project, which has been a major historical copper and gold producer in the region.

The Empire Mine deposit contains copper, gold, silver and zinc mineralization. Both oxide and sulphide mineralization are present in the skarn deposit. Oxide mineralization occurs near the surface and a higher grade sulphide zone lies underneath and is open in all directions.

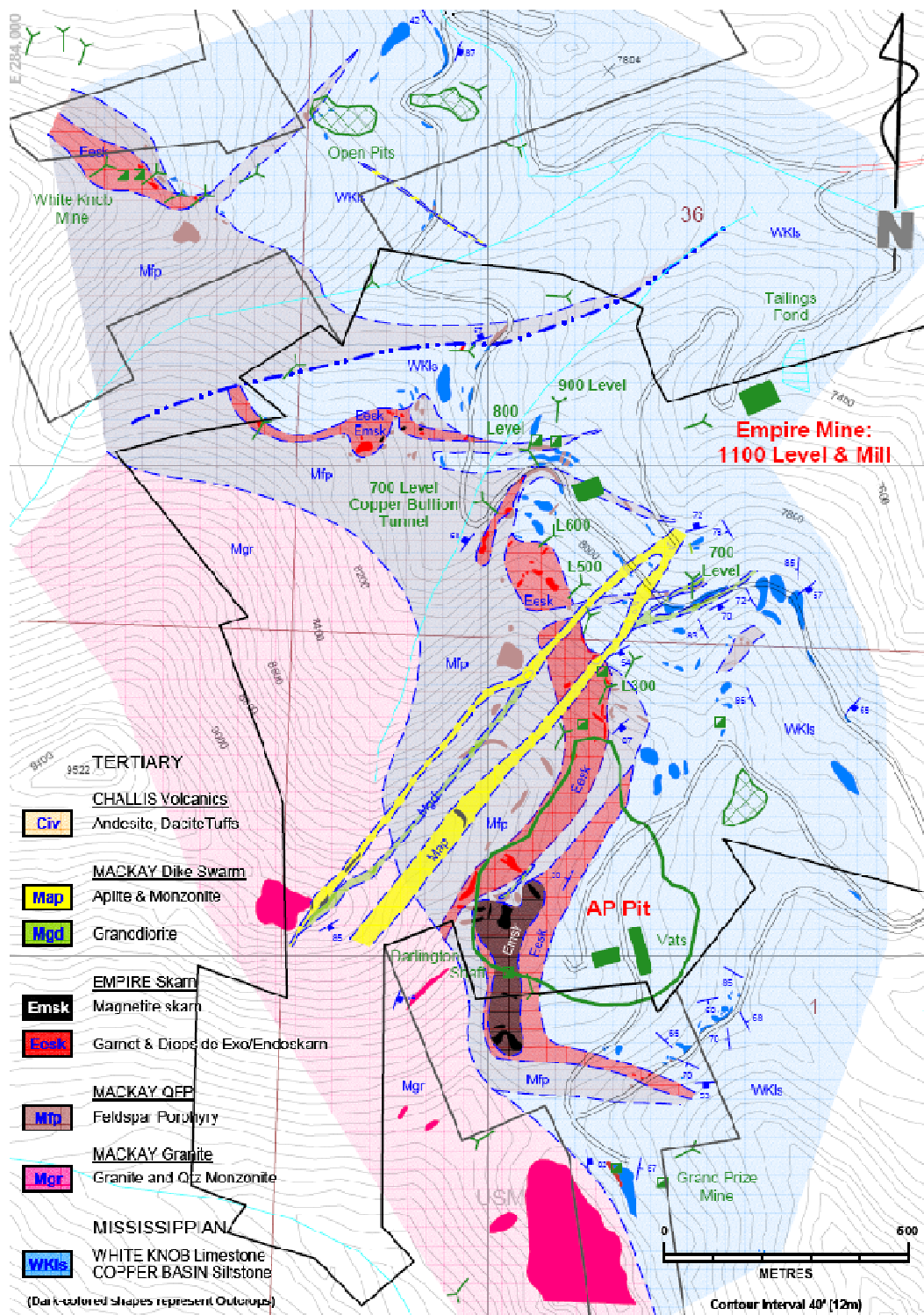


Figure 5 Geology Map of Empire Mine Property

Resource Estimates

An independent NI 43-101 technical report was completed for the Empire Mine project in 2006 to review and compile historic data on this project. There is currently no NI 43-101 compliant resource estimate on the Empire Mine property. However, the previous operator of the project, Cambior Exploration, calculated a resource of **27.88 million tons at 0.42% Cu, 0.23% Zn, 0.33 g/t Au and 10.2 g/t Ag, containing 234 Mlbs Cu, 128 Mlbs. Zn, 0.30 Moz Au and 9.15 Moz Ag**, as previously shown in Table 1. This resource estimate is historic in nature and is not NI 43-101 compliant. The NI 43-101 technical report stated that this historic estimate by Cambior was calculated by a reputable Canadian mining company based on extensive diamond drilling (188 drill holes) and industry standards that are still accepted today; therefore, **we believe that this estimate is reasonably reliable and we feel confident basing our valuation on this resource value.**

Recent Work by Musgrove

After Musgrove acquired the Empire Mine project, the company drilled 33 diamond core and reverse circulation holes from 2006 to 2007. Table 2 below highlights some of the significant intervals encountered in drilling. Musgrove drilling confirmed the historic drilling and exploration potential at the Empire Mine property. **Now, the entire drill database consists of 262 holes prior to this year's drill campaign.** A new NI 43-101 resource estimate will be performed based on the drill database as well as new drill data which will be available upon completion of current drill program.

Table 2 Musgrove Drill Highlights

HOLE ID	FROM(M)	TO(M)	WIDTH(M)	TOTAL Cu%	TOTAL Zn%	Ag g/t	Au g/t
JDD01	9.45	27.74	18.74	0.78	1.17	25.18	NA
JDD02	77.72	96.01	18.29	0.23	0.30	10.42	1.38
JDD03	12.18	36.56	24.38	0.80	0.11	45.13	1.15
JDD05a	20.10	96.60	75.60	0.65	0.59	25.30	NA
JRC02a	13.70	59.40	45.70	0.65	NA	NA	NA
JRC03a	7.60	27.40	19.80	0.69	NA	11.70	NA
JRC05	0.00	12.20	12.20	0.46	0.28	11.30	NA
JRC11	18.30	76.10	53.30	1.37	NA	29.70	NA
JRC24	1.50	19.80	18.30	0.88	NA	56.20	NA
JRC25	12.20	25.90	13.70	0.59	0.15	15.70	NA
JRC27	4.60	53.30	48.70	0.34	0.19	12.00	1.39
JRC15	7.60	102.50	97.60	0.49	NA	12.70	NA
JRC16a	12.20	24.20	12.20	0.59	NA	NA	NA
JRC20	10.70	48.80	38.10	0.62	0.22	17.70	NA

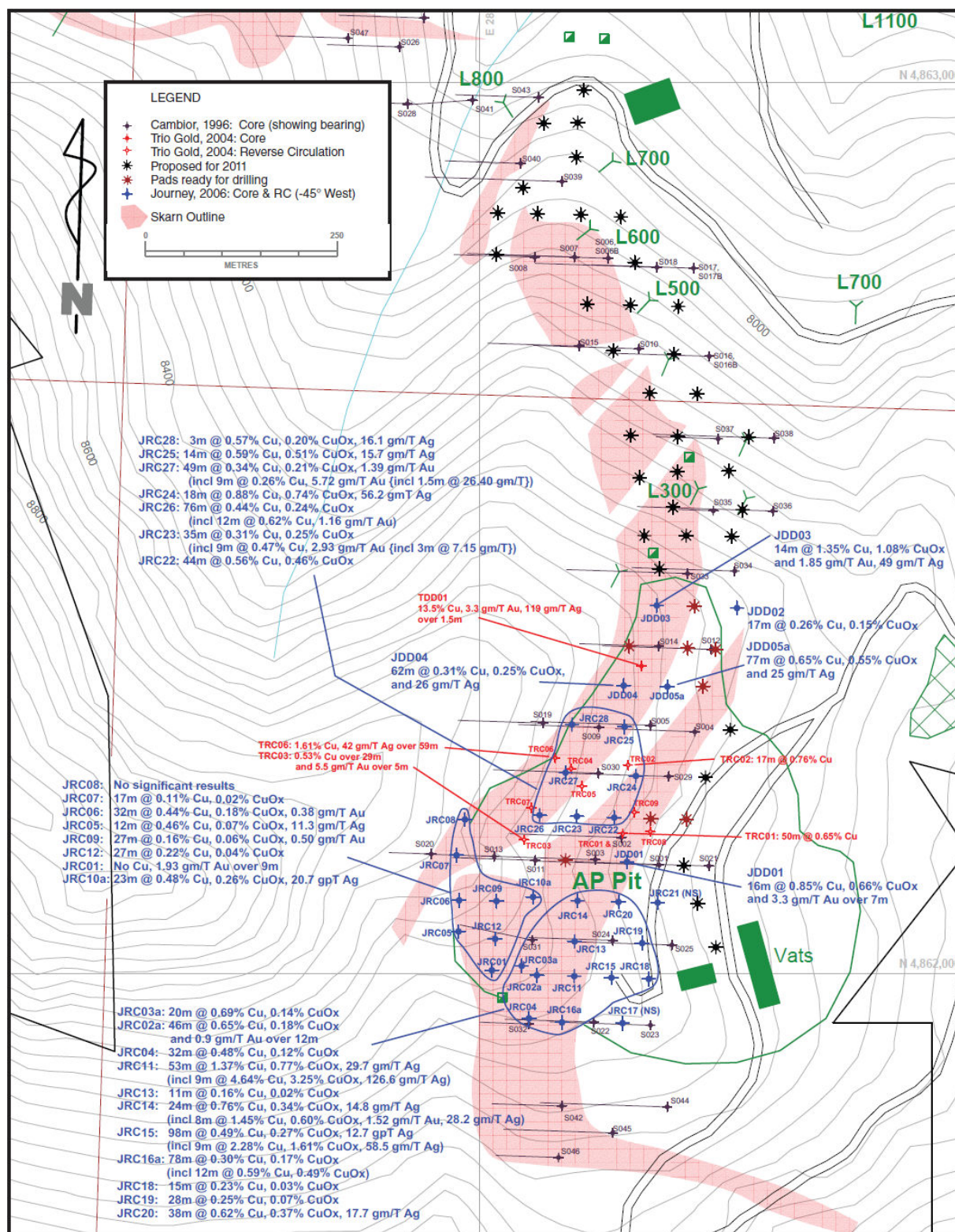


Figure 6 Musgrove Drill Hole Locations and Results at Empire Mine



Figure 7 Drill Activity at Empire Mine Project

Development Timeline

Musgrove has planned 3,200 meters of drilling in 32 infill holes on the near surface deposit at the Empire Mine project in 2011. 6 to 8 deep holes will be drilled to test high grade sulphide mineralization at depth. **The spring drill program has started in May 2011. A NI 43-101 compliant resource estimate will also be expected by the end of 3rd quarter of 2011. The company plans to complete a metallurgical and prefeasibility study this year.** Upon positive outcome of the prefeasibility study, the company will initiate a feasibility and full mine permitting.

Musgrove Creek, Idaho

Project Overview

The Musgrove Creek project is an advanced gold exploration project located in Lemhi County, Idaho, approximately 40 kilometers southwest of Salmon, Idaho (Figure 8). The company has a 100% lease interest on the property covering nearly 1,500 acres of area. The Musgrove Creek project is a **large low-grade epithermal gold project** similar to the Beartrack mine located 20 kilometers away. **The project has a NI 43-101 inferred resource of 8 million tonnes grading 1.22g/t Au at a gold cut-off of 0.8 g/t. The total contained gold is 313,822 ounces.**

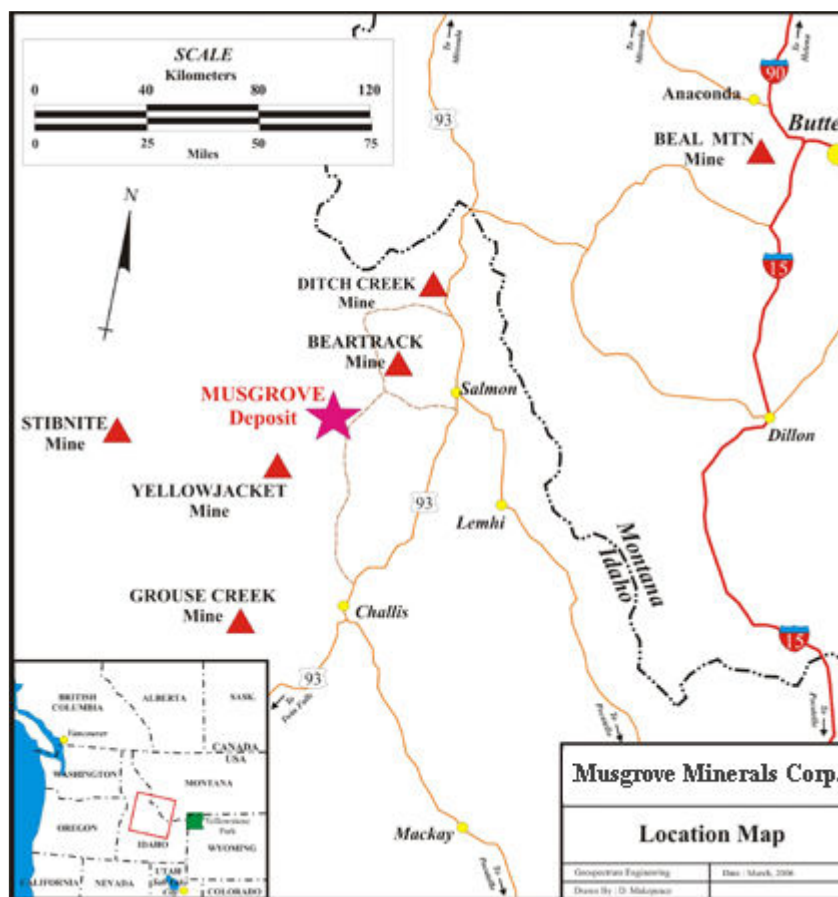


Figure 8 Location of Musgrove Creek Project

History

The Musgrove Creek property consists of 87 unpatented lode mining claims covering a total area of 1,500 acres. The company now has 100% lease interest on these claims.

Mining activity in the area started in the 1800's. Several historic mines, the Yellowjacket mine, Blackbird mine, Musgrove mine and Smith-Gahan mine, operated in the region in the early 1900's. Large-scale epithermal gold deposits at the Musgrove Creek property area were discovered in the 1980's. The Beartrack gold deposit was among those discoveries and produced approximately 650,000 ounces of gold from 1994 to 2000. The Musgrove Creek claims were first staked by geologist Ray Robinson and subsequently leased to Atlas Minerals. Atlas conducted a series of exploration work and later Newmont (NYSE: NEM; TSX: NMC) acquired this property in 1992. **Newmont drilled 27 diamond drill holes on the property and calculated a non NI 43-101 compliant 11.9 million tonnes grading 0.89g/t gold.** In 1996, Meridian Gold Inc. drilled 20 diamond drill holes and 3 reverse circulation holes. Exploration work ceased in 1997 due to the low gold prices at the time. The property sat idle until 2003 when Wave Exploration (later became Roxgold Inc, TSXV: ROG) acquired the property and subsequently provided a NI 43-101 compliant resource estimate.

In 2005, Musgrove Minerals optioned the Musgrove Creek project and started

exploring the property. In June 2007, the company acquired 100% lease interest of the property. Musgrove also obtained all historic data from previous operators of the project and is able to use the data to assist with its own exploration work. **Over the years, the company has drilled over 1,500 meters on the property and published two NI 43-101 technical reports.**

Accessibility and Infrastructure

The Musgrove Creek gold property is located in the Salmon River Mountains in Lemhi County, Idaho. The nearest town is Salmon approximately 40 kilometers northeast of the property. The town of Challis is 69 kilometers to the south of the property.

The property is road accessible via the Williams Creek Road from Salmon and the Panther Creek road from Challis. Some Forest Service roads and dirt roads in the area also provide access to the majority of the property. Accommodation and supplies are available in both Salmon and Challis. A power line providing residential electricity is located approximately 10 kilometers northeast of the property.



Figure 9 Well Maintained Access Road

Geology and Mineralization

The Musgrove Creek gold deposit occurs within a major northeast-southwest trending Trans-Challis Fault System, which is part of Idaho-Montana Porphyry Belt. This fault system also hosts the Beartrack gold mine and other historic producers. Figure 10 is a map showing regional geology and the fault system.

The host rock for the Musgrove Creek deposit is the Banded Siltite unit in the Apple Creek Formation. The deposit is classified as an epithermal style gold mineralization. The

exploration focus at the property is the low grade large tonnage gold mineralization hosted in quartz stockwork in the Apple Creek Formation, which is similar to the recently mined Beartrack mine deposit.

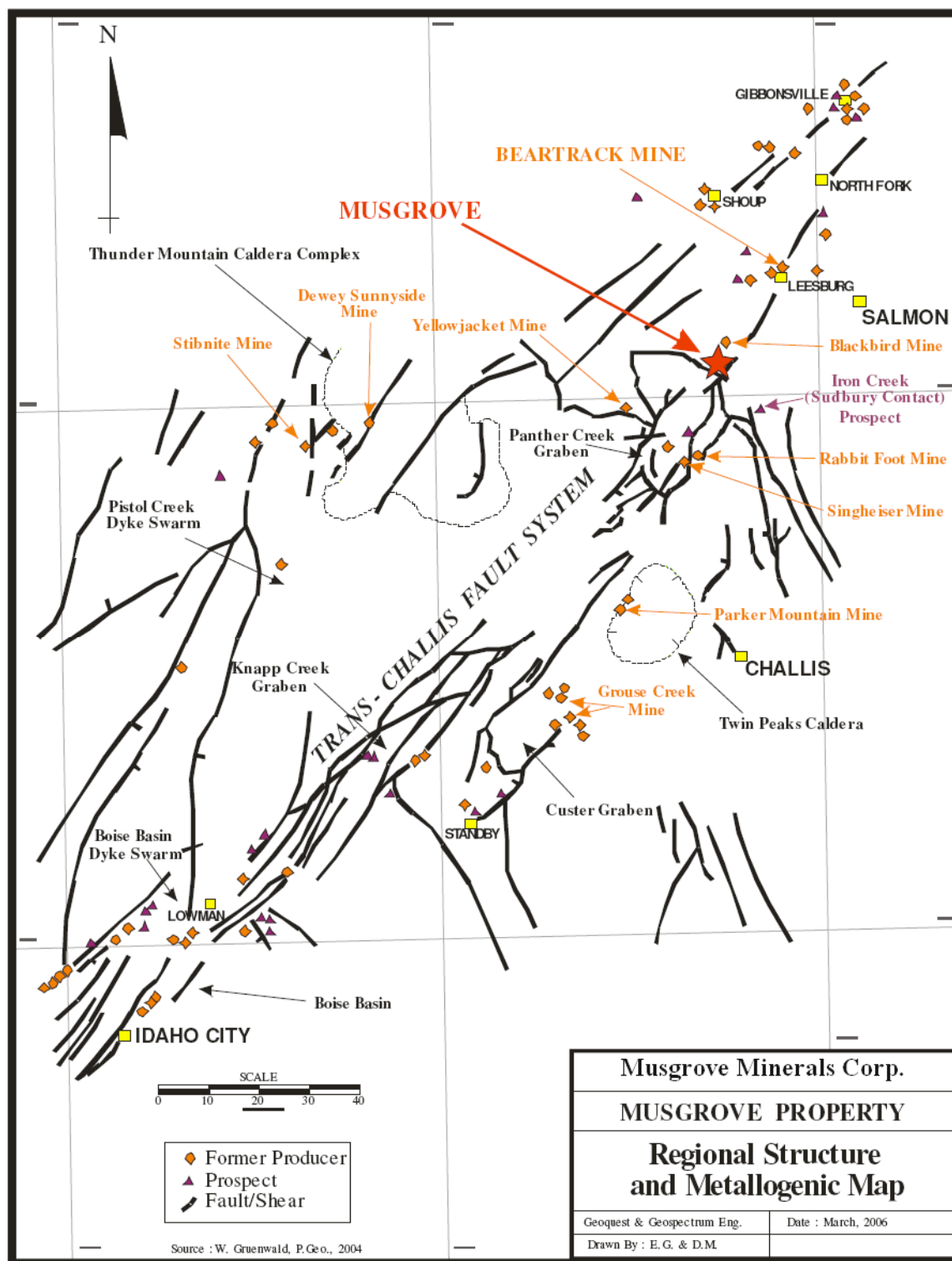


Figure 10 Regional Geology at the Musgrove Creek Property (Source: Company)

Resource Estimates

The most recent NI 43-101 resource estimate was **calculated in 2004** during Wave Exploration's work on the property. The estimate stated **an inferred resource of 8 million tonnes grading 1.22g/t gold and total contained gold is 313,822 ounces**. The resource estimate also gave different scenarios at different cut-off grades, as listed in Table 3 and Table 4 below.

Table 3 Musgrove Creek Inferred Resource at Lower Cut-off Grades

Cut-off Au(g/t)	Tonnes	Au Grade(oz/ton)	Au Grade(g/t)	Gold(ounces)
0.6	12,960,119	0.030	1.03	423,285
0.7	9,913,840	0.033	1.13	359,097
0.8	8,017,659	0.036	1.22	313,822

Table 4 Musgrove Creek Inferred Resource at Higher Cut-off Grades

Grade Cutoff (g/t Au)	Volume (m³)	Tonnes (mt)	Gold (g/t)	Gold (oz/T)
0.8	3,019,219	8,000,930	1.220	0.036
0.9	2,579,266	6,835,054	1.283	0.037
1.0	2,023,859	5,363,227	1.373	0.040
1.1	1,559,703	4,133,213	1.469	0.043
1.2	1,217,016	3,225,091	1.559	0.045
1.3	908,578	2,407,732	1.664	0.049
1.4	679,047	1,799,474	1.772	0.052
1.5	512,484	1,358,084	1.879	0.055
1.6	410,422	1,087,618	1.959	0.057
1.7	335,125	888,081	2.029	0.059
1.8	274,297	726,887	2.093	0.061
1.9	236,172	625,855	2.133	0.062
2.0	205,141	543,623	2.160	0.063
2.1	151,094	400,398	2.197	0.064
2.2	34,266	90,804	2.397	0.070
2.3	15,750	41,738	2.583	0.075
2.4	8,891	23,560	2.762	0.081
2.5	6,641	17,598	2.870	0.084
2.6	4,516	11,966	3.020	0.088
2.7	3,625	9,606	3.113	0.091
2.8	3,031	8,033	3.183	0.093
2.9	1,844	4,886	3.396	0.099
3.0	1,750	4,638	3.421	0.100
3.1	1,625	4,306	3.447	0.101
3.2	1,500	3,975	3.471	0.101
3.3	1,250	3,313	3.517	0.103
3.4	875	2,319	3.600	0.105
3.5	500	1,325	3.698	0.108
3.6	500	1,325	3.698	0.108
3.7	250	663	3.749	0.109

This inferred resource calculated in 2004 used a database consisting of 32 drill holes totaling 8,248 meters with 3,565 assays prior to Wave's work program. The 2004 resource estimate is consistent with the Newmont estimate performed in 1995, which stated 11.9 million tonnes containing 340,000 ounces of gold grading 0.89g/t. The 2004 estimate calculated a lower tonnage at a higher average gold grade compared to the Newmont estimate and the contained gold ounces in both estimates are similar (less than 10% difference).

Recent Work by Musgrove

The company has completed 900 meters of diamond drilling in 9 holes and 625 meters of reverse circulation drilling in 10 holes on the Johnny's Point target and Ludwig Basin target at the Musgrove Creek property (Figure 11). Significant gold mineralization was encountered, including 1.5 meters at 20.8g/t, 1.5 meters at 22.1g/t, 3 meters at 20.18g/t and 6.1 meters at 8.71g/t. The following table summarizes the significant drill intercepts.

Table 5 Musgrove Drill Highlights

HOLE ID	FROM (FT)	TO (FT)	WIDTH(FT)	WIDTH(M)	grade(oz/t)	AU GRADE(g/t)
43	500	515	15	4.6	0.107	3.66
44	95	105	10	3.0	0.087	2.98
44	375	380	5	1.5	0.210	7.18
51	250	255	5	1.5	0.645	22.10
53	232	237	5	1.5	0.416	14.25
56	125	130	5	1.5	0.608	20.80
56	230	235	5	1.5	0.163	5.59
60	90	100	10	3.0	0.590	20.18
62	85	100	15	4.6	0.148	5.07
62	205	210	5	1.5	0.176	6.01
63	40	50	10	3.0	0.326	11.15
64	55	70	15	4.6	0.091	3.11
64	125	145	20	6.1	0.255	8.71
64	225	250	25	7.6	0.115	3.92

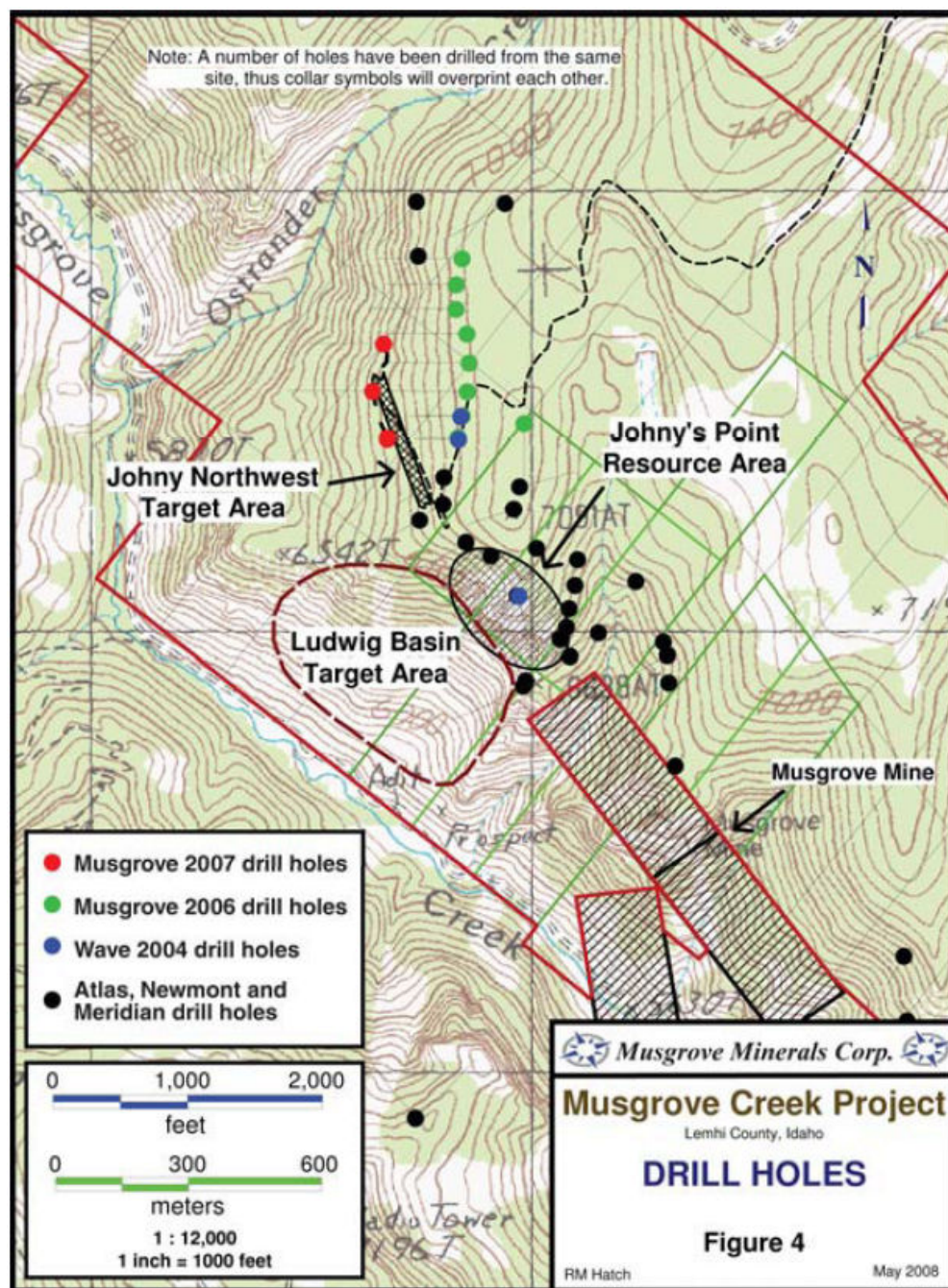


Figure 11 Musgrove Drill Hole Locations

Development Timeline

The company has built 3,650 feet (1,113 meters) of road to access Johnny's Point and the Ludwig Basin target areas. The company also plans to expand and upgrade the existing resource by drilling up to 18 holes in 4,300 meters at the target areas. **Drilling on the property is expected to commence in July 2011.** The drill and road plans are illustrated in Figure 12. The drilling results will be used to perform an **updated resource estimate which is anticipated by the 4th quarter of 2011.**

Soil sampling, trenching and geological mapping will be conducted on the site along with drilling. The company will also develop a new topographic base and compile all data for a pre-feasibility report.

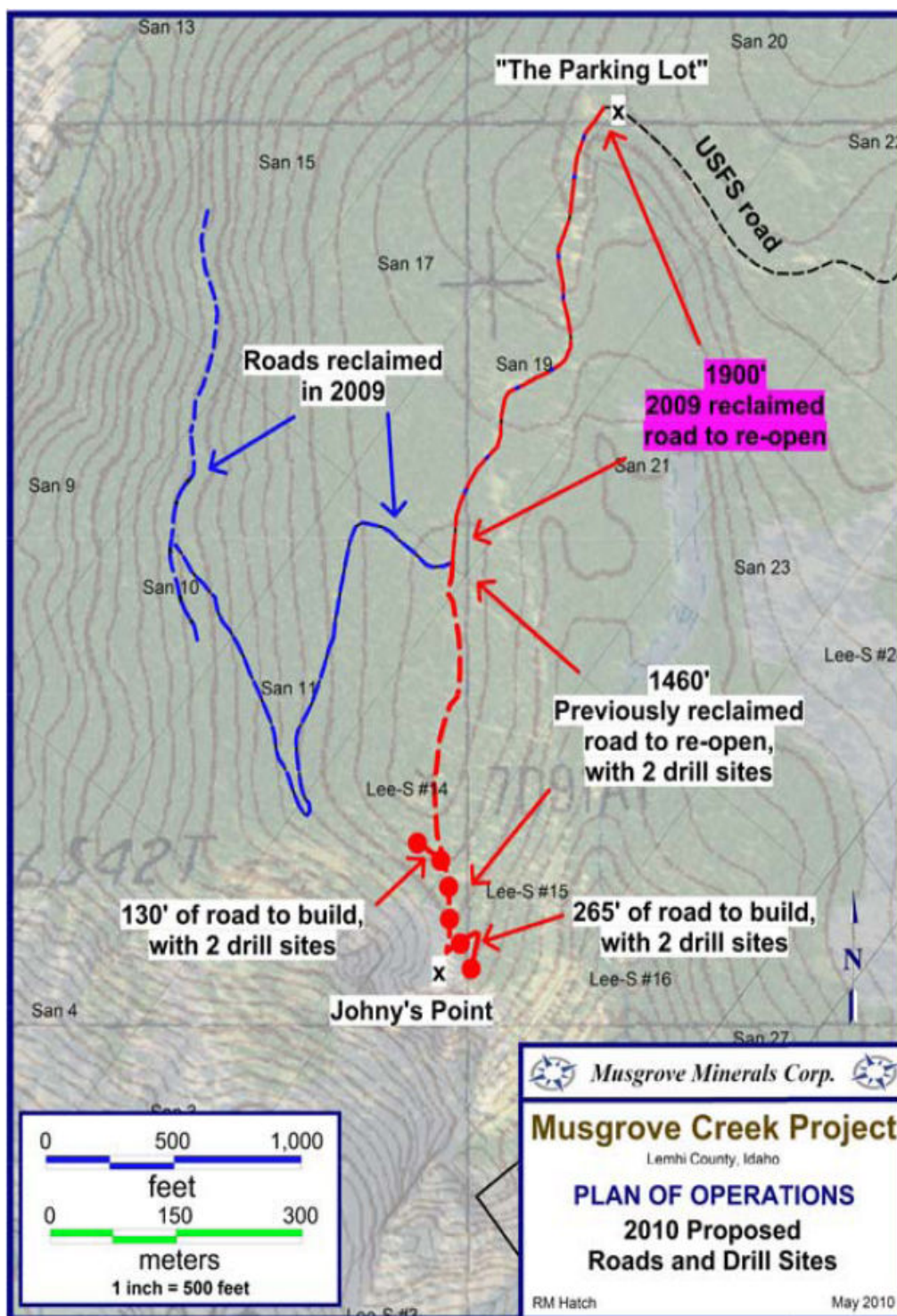


Figure 12 Musgrove 2011 Plan

Other Projects**Charay Gold Project, Mexico**

The Charay project was acquired by the company through an option in 2008. The property covers 380 hectares of area near the coast of western mainland Mexico (Figure 13). The company recently staked an additional 11,000 hectares along strike of known veins. The exploration focus on the Charay gold property is the high grade vein-hosted gold-silver mineralization associated with hybrid mesothermal and later low sulphidation epithermal systems. **The project's previous operator, Vane Minerals (LSE: VML), estimated 37,000 tonnes of material at an average grade of 18.75 g/t Au and 120.15 g/t Ag (non NI 43-101 compliant).** Over the past year the company has conducted considerable work on the property. The company is actively seeking joint venture or optioning opportunities to further explore the Charay property and evaluate the economic potential of the project.



Figure 13 Location of Charay Gold Project, Mexico

Vianey Mine Project, Mexico

The Vianey property is comprised of two blocks totaling covering an area of approximately 12,400 acres. The property is located in southern Mexico, about 250 km by road south of Mexico City (Figure 14). The company acquired 100% ownership of this property in 2005 and subsequently conducted a series of exploration work including A total of 2,042 metres of core drilling was accomplished in 12 drill holes. The property currently has no NI 43-101 compliant resource estimate. However, a historic resource estimate was calculated in 2000 based on prior exploration efforts. **The historic estimate stated a total of 345,020 metric tonnes grading 2.13% lead, 3.66% zinc and 269 g/t silver.** The company's priority at this project is to form a joint venture partnership or to option to fully advance the project.



Figure 14 Location of the Vianey Mine Project

Management & Directors

Management and board own 30% of the outstanding shares. Brief biographies of the team members, as provided by the company, follow:

Jatinder (Jack) Bal, President, Chief Executive Officer and Director

Jack Bal has served as our President, Chief Executive Officer and Director since November 2003, and is responsible for all aspects of our general management. Mr. Bal has over 11 years of experience in the resource industry and public markets. Mr. Bal has served as

President of Centerline Capital Corp., a private management company since November 2003. Mr. Bal is currently a director of CMC Metals Corp. and Grenville Gold Corp., both of which are resource companies listed on the TSX Venture Exchange. Mr. Bal is also President and Director of Cascadia Energy Corp., a private US company in the business of acquiring and exploring oil and gas properties.

Lorne Torhjelm, Chief Financial Officer, Corporate Secretary & Director

Lorne Torhjelm has served as Chief Financial Officer and Corporate Secretary since May, 2005 and May, 2004 respectively, and is responsible for overseeing all aspects of the company's finances. In August 2009, Mr. Torhjelm joined the board of directors. Mr. Torhjelm is a self-employed investment manager, and is currently Chief Financial Officer and Corporate Secretary of Upper Canyon Minerals Corp. and a Director of Panor Minerals Ltd. In addition, Mr. Torhjelm is also the Corporate Secretary of Cascadia Energy Corp., a private U.S. company in the business of acquiring and exploring oil and gas properties. Mr. Torhjelm was also President of RNJ Ventures Ltd. from 1989 to 2004.

D. Roger Scammell, BSc, P.Geo, Director

Roger Scammell has more than 35 years experience in the mining and exploration industry. He was the Regional Manager of Exploration for Teck Corporation's Mexican subsidiary, Minera Teck SA de CV from 1992 to 2002. Under his direction, Minera Teck discovered the 72 million tonne San Nicolas volcanogenic massive sulphide deposit in Zacatecas, Mexico and the El Limon gold skarn in Guerrero, Mexico.

Benjamin G. Herring, BSc, Director

Ben Herring is a Research/Technician at the University of British Columbia, with over 8 years of experience at the University research and teaching level in biochemistry, chemistry, and biology. Working in research and teaching labs focusing on Analytical, Inorganic, and Organic Chemistry.

Andrew Tunningley, Director

Mr. Tunningley is an exploration geologist with worldwide experience in precious and base metal exploration, encompassing area selection and project generation through to advanced project management. Mr. Tunningley worked as an exploration geologist with Ivanhoe Mines Ltd from June 2003 to February 2006. Since this time Mr. Tunningley has worked as an independent consultant geologist and as an Associate Consultant Geologist with Exploration Alliance Ltd. and SRK (UK). Mr. Tunningley has most recently been involved in project review and acquisition on behalf of international exploration companies and funds. Mr. Tunningley obtained an applied geology degree (MGEOL) from the University of Leicester in 2003. Mr. Tunningley is a member of the Australasian Institute of Mining and Metallurgy and a member of the Society of Economic Geologists.

Phil Van Angeren, Project Geologist

Mr. Van Angeren is a graduate of McGill University, and has more than 30 years of experience in the mineral exploration industry, with particular focus on North and South American Cordilleran base and precious metals. Mr. van Angeren is a long-standing member of APEGGA (1985), and is currently a director, exploration manager and chief geologist of

two junior mineral companies. He has been, and continues to be, a consultant to several Canadian and American junior companies involved in gold and base metal exploration in the Americas.

Richard G. Walker, Jr., Project Geologist

Mr. Richard Walker is a geologist with worldwide experience in exploration companies from both US and Canada. He is mainly responsible for general drilling program management, supervising drilling crews as well as constructing regional maps and data base in gold mineral exploration projects. He was also involved in other exploration programs as an independent consultant. Mr. Walker obtained a Bachelor degree in geology from University of Montana, after accomplishing course work in computers and programming in Triton College. He is also member of several professional associations such as Arc-View Users Group of Reno, Geological Society of Nevada, Northwest Mining Association, etc.

Peter Hawley, BSc, PGeo, Member of Advisory Committee

Mr. Hawley has 30 years mining-industry experience that spans grassroots exploration through to development and production. He has worked extensively as a consulting geologist to a large number of intermediate and senior mining companies including Teck Corp., Noranda Inc., Placer Dome Inc. and Barrick Gold Corp. Mr. Hawley is also experienced in private and public company financing and corporate administration and is the chairman, and founder of Scorpio Mining Corp. (TSX: SPM) which has a 1,500 tonne per day mining operation producing in Mexico. He is also CEO, President of Scorpio Gold Corp. which has commenced gold production in Nevada.

Tom Tough, B.Sc., P.Eng. Member of Advisory Committee

Thomas has more than 40 years experience as a self-employed consulting Professional Engineer in 40 different countries, in both the western and eastern hemispheres. In the course of his career he has been involved in property examinations, qualifying reports, evaluations, project acquisitions and negotiations, mine evaluation, underground and surface exploration, reserve and resource estimations, mine and mill planning and processing, pre-feasibility and feasibility studies, development and production, open pit and underground, as operator, project manager, and consultant on precious and base metals, industrial minerals, gemstones and oil and gas. He has negotiated corporate financings and joint venture partnerships and dealt with various levels of domestic and foreign government bodies. He has held numerous directorships and officer positions in public and private companies, including the role of President, CEO and Director of Desert Sun Mining Corp. for 18 years. In April 2006, Yamana Gold Inc. purchased the Company and its producing gold mine in Brazil. In 2003 Mr. Tough also joined the boards of TSX listed Potash One Inc. He is past President and CEO of Potash One Inc., and continues to serve as a director. He is a member of the Association of Professional Engineers and Geoscientists of British Columbia and holds a B.Sc. in Geology from the University of British Columbia.

Jeffrey Reeder, P. Geo, Member of Advisory Committee

Jeffrey J. Reeder, P. Geo., has a B.Sc. from the University of Alberta and since 1992 has been registered as a professional geologist with the Association of Professional Engineers and Geoscientists of British Columbia. Mr. Reeder is currently the Chief Executive Officer

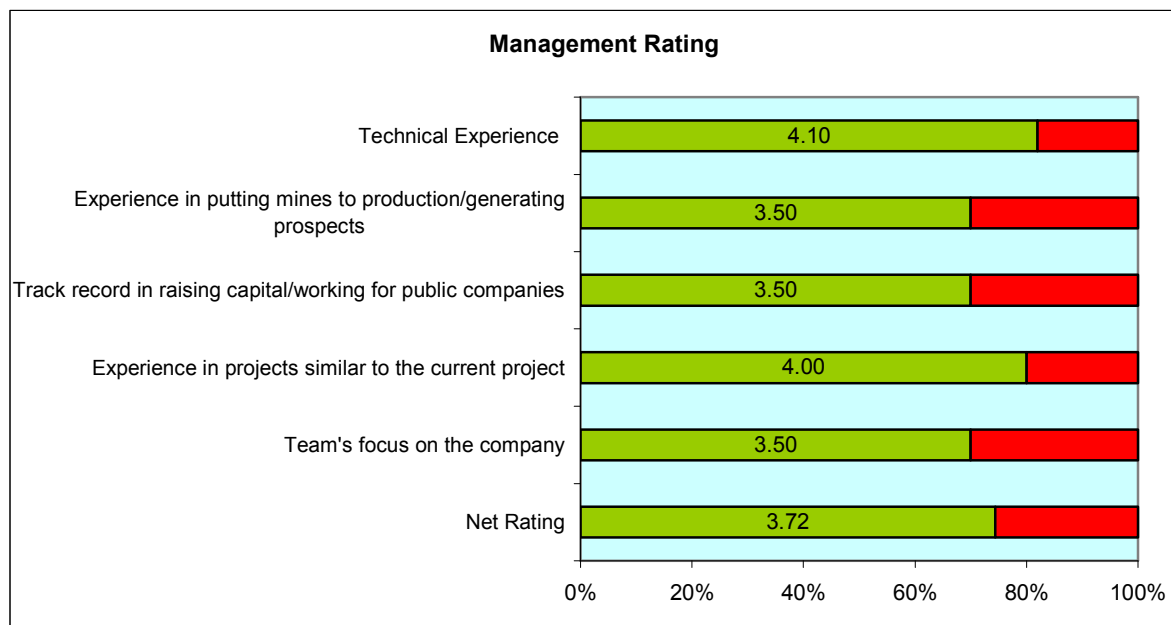
for Duran Ventures and Amerix Precious Metals. Mr. Reeder is the geologist that originally identified and acquired the Aguila coppermoly project in Peru for MacMillan Gold Corp. (now a wholly-owned subsidiary of Duran Ventures). Mr. Reeder has 16 years of experience and is fluent in Spanish. Mr. Reeder has prior experience working with Noranda Exploration and the Hunter-Dickenson Group of Companies. Mr. Reeder was also responsible for identifying the Pinaya Copper-Gold project currently being explored by AM Gold Inc.

Dr. Chris Wilson, P. Geo, Member of Advisory Committee

Dr. Wilson is an exploration geologist with over 20 years of industry experience who specializes in the design, implementation and management of exploration projects from grassroots to feasibility. Dr. Wilson has broad experience with a variety of commodities and styles of mineralization and specialist experience in with low and high sulphidation epithermal Au-Ag systems; mesothermal Au systems; Au-Cu-Mo porphyry systems; precious and base metal skarns; Fe skarns; IOGC systems; Au and Cu supergene deposits; Carlin-style and sediment-hosted Au systems; and Ni laterite and sulphide systems. Dr. Wilson worked for Ivanhoe Mines Ltd between 1999 and 2004 and was Ivanhoe Mines Exploration Manager in Mongolia between June 2002 and May 2004 with responsibility for countrywide area selection, grass-roots exploration, and management of a copper-gold exploration portfolio consisting of over 125 licences totalling over 11 million hectares. Thereafter Dr. Wilson has worked as an Independent Consultant which has included work as an Associated principal Consultant with SKR (UK) and SRK Exploration Services. In January 2007, Dr. Wilson formed Exploration Alliance Ltd, a company that provides geological consulting services to mineral exploration, development and producing companies, and continues to act as the principal consultant to date. Dr. Wilson is the CEO of Hunter Bay Minerals (TSX-V: HBY) and a director of First Pursuit Ventures Ltd (TSXV: FPV). Dr. Wilson holds a PhD in geology from Flinders University of South Australia (1991). Dr. Wilson is a Chartered Professional Geologist and Fellow of the Australian Institute of Mining and Metallurgy and a Fellow of the Society of Economic Geologists.

***Management
Rating***

We believe that one of the most important aspects of a junior mining company is its management. Therefore, we have developed a management rating system as a quantitative way to rate management based on a number of factors, including technical experience, the ability to raise financing, and management's time commitment to the company. **Our net rating for MGS (see below) is 3.7 out of 5.0.**



Strength of Board

We believe that the Board of Directors of a company should include independent or unrelated directors who are free of any relationships or business that could materially interfere with the director's ability to act in the best interest of the company. We looked at the company's annual "Management Information Circular" to ensure that the company has an independent Board of Directors, Audit Committee and Compensation Committee.

	Poor	Good	Excellent
Three of five directors are independent		✓	
None of the directors have filed for personal bankruptcy			✓
Three of the five directors hold shares in the company			✓
The Audit committee is composed of three board members, one of which are independent		✓	
The Compensation committee is composed of two board members, both of which are independent			✓

Financials

Musgrove completed an 8:1 share consolidation in December 2010. At the end of Q1-2011 (3 month period ended February 2011), the company had \$0.45 million cash. Working capital was negative \$0.32 million. The table below summarizes the company's liquidity position.

(in C\$)	2010	Q1-2011
Cash	2,418	445,384
Working Capital	(2,047,789)	(315,114)
Current Ratio	0.05	0.64
LT Debt/Assets	-	-
Burn Rate Per Month	(171,539)	(369,543)
Cash from financing activities	2,059,755	1,551,596

Recent Financings:

- In January 2011, the company completed a **\$2.70 million financing by issuing 17.99 million units at a unit price of \$0.15**. Each unit consists of one common share and one-half share purchase warrant (exercise price - \$0.20; maturity - 1 year).
- On April 27, 2011, the company **announced a non-brokered private placement of up to 6 million units at a unit price of \$0.25 for gross proceeds of up to \$1.50 million**. Each unit will consist of one common share and one share purchase warrant (exercise price - \$0.30 per share in the first year and \$0.40 per share in the second year).

Options and Warrants Outstanding: At the end of February 2011, the company had 2.06 million stock options (weighted average exercise price of \$0.34), and 16.47 million warrants (weighted average exercise price of \$0.45) outstanding.

Valuation & Rating

We have valued Musgrove based on the company's inferred and historical resource estimates. The peer average enterprise value (EV) to gold resource ratio is currently \$86/oz (as shown in the table below).

Company		EV / Resources (Au. Eq.)
1	Sona Resources Corporation	\$190.0
2	Golden Band Resources Inc.	\$135.6
3	Midway Gold	\$72.2
4	Sutter Gold Mining Inc	\$54.8
5	Hunt Mining ¹	\$54.6
6	Evolving Gold ¹	\$51.1
7	Silverado Gold Mines Ltd.	\$41.1
Average EV / Resources (\$/oz)		\$85.6

* Resources include all measured and indicated, and half of inferred and historical resources

1. FRC estimated resources

Our fair value estimate on MGS based on a peer average EV/resource ratio of \$86/oz is \$1.66 per share. The following table shows a summary of our valuation.

Project	Cu (mm lbs)	Zn (mm lbs)	Au (mm oz)	Ag (mm oz)	Pb (mm lbs)	Au Equiv. oz
Empire Mine	234.19	128.25	0.30	9.15		1.09
Musgrove Creek			0.31			0.31
Charay Gold			0.02	0.14		0.02
Vianey Mine		27.84		2.97	16.20	0.09
Total (mm oz)						1.51
Discount						50%
Net Resource (mm oz)						0.76
Avg. EV/Resource						\$85.63
Value of Au Equiv. Resource (\$, mm)						\$64.79
Working Capital - LT Debt (\$, mm) ¹						\$0.58
Fair Value of MGS (\$, mm)						\$65.37
Shares ¹						39.46
Fair Value per Share (\$)						\$1.66

1. Working capital and the number of shares account for the recently proposed \$1.5 mm financing

- The number of shares were calculated based on the treasury stock method

We have discounted the company's inferred and historic resources by 50% as we did for its peers. We used our long-term (2014+) forecasts to estimate gold equivalent ounces as follows: Gold - US\$1,000/oz, Silver - US\$18.35/oz, Copper - US\$2.25/lb, Zinc - US\$0.75/lb and Lead - US\$0.60/lb.

Based on our review of the company's projects and fair value, we initiate coverage on MGS with a BUY rating and a fair value of \$1.66 per share.

Risks

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The value of the company is dependent on commodity prices.
- The company does not currently have any operating mines.
- Access to capital and share dilution.

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

Disclaimers and Disclosure

The opinions expressed in this report are the true opinions of the analyst about this company and industry. Any "forward looking statements" are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. The analyst and Fundamental Research Corp. "FRC" does not own any shares of the subject company, does not make a market or offer shares for sale of the subject company, and does not have any investment banking business with the subject company. Fees were paid by MGS to FRC. The purpose of the fee is to subsidize the high costs of research and monitoring. FRC takes steps to ensure independence including setting fees in advance and utilizing analysts who must abide by CFA Institute Code of Ethics and Standards of Professional Conduct. Additionally, analysts may not trade in any security under coverage. Our full editorial control of all research, timing of release of the reports, and release of liability for negative reports are protected contractually. To further ensure independence, MGS has agreed to a minimum coverage term including an initial report and three updates starting with this report. Coverage can not be unilaterally terminated. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time. The performance of FRC's research is ranked by Investars. Full rankings and are available at www.investars.com.

The distribution of FRC's ratings are as follows: BUY (72%), HOLD (7%), SELL (4%), SUSPEND (17%).

To subscribe for real-time access to research, visit <http://www.researchfrc.com/subscribe.php> for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report. A report initiating coverage will most often be updated quarterly while a report issuing a rating may have no further or less frequent updates because the subject company is likely to be in earlier stages where nothing material may occur quarter to quarter.

Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE'S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated, and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.