Grandview Gold

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MAY 31, 2012 AND 2011

August 27, 2012

Independent Auditor's Report

To the Shareholders of
Grandview Gold Inc.

We have audited the accompanying consolidated financial statements of Grandview Gold Inc., which comprise the consolidated statements of financial position as at May 31, 2012, May 31, 2011 and June 1, 2010 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies.

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 (IFRS) as issued by the International Accounting Standards Board (IASB) 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 and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Canadian generally accepted auditing standards require that we comply with ethical requirements.

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. We were not engaged to perform an audit of the company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. 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.

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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 Grandview Gold Inc. as at May 31, 2012, May 31, 2011 and June 1, 2010 and its financial performance and its cash flows for the years ended May 31, 2012 and May 31, 2011 in accordance with IFRS as issued by the IASB.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that casts substantial doubt about Grandview Gold Inc.'s ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

Grandview Gold Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at		May 31, 2012		May 31, 2011 (Note 15)		June 1, 2010 (Note 15)
Assets						
Current						
Cash and cash equivalents	**$**	**137,752**	$	1,177,679	$	1,432,824
Short term investments		**25,537**		25,286		25,037
HST and sundry receivable		**96,563**		63,414		26,416
Prepaid expenses		**15,980**		17,718		12,876
Total current assets		**275,832**		1,284,097		1,497,153
Reclamation bond		**-**		12,718		13,699
Mining interests (Note 6)		**5,225,781**		4,568,757		4,149,771
Total non-current assets		**5,225,781**		4,581,475		4,163,470
Total assets	**$**	**5,501,613**	$	5,865,572	$	5,660,623
Liabilities						
Current						
Accounts payable and accrued liabilities	**$**	**107,262**	$	129,019	$	89,284
Deferred premium on flow-through shares (Note 7(b)(i))		**-**		80,667		-
Provision for environmental rehabilitation		**-**		12,718		13,699
Total non-current liabilities		**-**		93,385		13,699
Total liabilities		**107,262**		222,404		102,983
Shareholders' equity		**5,394,351**		5,643,168		5,557,640
Total liabilities and shareholders' equity	**$**	**5,501,613**	$	5,865,572	$	5,660,623

Nature of operations and going concern (Note 1)
Commitments (Note 6(c))

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors:

"Paul T. Sargeant"
Director

"Richard Brown"
Director

Grandview Gold

Grandview Gold Inc.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Years Ended May 31, 2012	2011 (Note 15)
Expenses		
General and administration (Note 13)	**$ 330,062**	$ 411,585
Operating loss	**(330,062)**	(411,585)
Interest income	**578**	2,678
Premium on flow-through shares (Note 7(b)(i))	**80,667**	-
Net loss and comprehensive loss for the year	**$ (248,817)**	$ (408,907)
Loss per share - basic and diluted (Note 10)	**$ (0.00)**	$ (0.01)
Weighted average number of shares outstanding	**81,163,032**	76,271,891

The accompanying notes are an integral part of these consolidated financial statements.

Grandview Gold

Grandview Gold Inc.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Share Capital (Note 7)	Reserves: Warrant Reserve (Note 8)	Reserves: Equity Settled Share Based Payments Reserve (Note 9)	Deficit	Total
Balance, June 1, 2010	$ 16,093,441	$ 1,455,333	$ 8,982,005	$ (20,973,139)	$ 5,557,640
Fair value of warrants exercised	32,000	(15,333)	-	-	16,667
Private placement (note 7(b)(i))	605,000	-	-	-	605,000
Premium on flow-through (note 7(b)(i))	(80,667)	-	-	-	(80,667)
Warrant valuation (note 7(b)(i))	(43,776)	43,776	-	-	-
Cost of issue - broker warrant valuation (note 7(b)(i))	(25,591)	25,591	-	-	-
Cost of issue (note 7(b)(i))	(46,565)	-	-	-	(46,565)
Net loss for the period	-	-	-	(408,907)	(408,907)
Balance, May 31, 2011	**$ 16,533,842**	**$ 1,509,367**	**$ 8,982,005**	**$ (21,382,046)**	**$ 5,643,168**
Modification of warrants (Note 7(b)(ii))	-	191,999	-	(191,999)	-
Net loss for the period	-	-	-	(248,817)	(248,817)
Balance, May 31, 2012	**$ 16,533,842**	**$ 1,701,366**	**$ 8,982,005**	**$ (21,822,862)**	**$ 5,394,351**

The accompanying notes are an integral part of these consolidated financial statements.

Grandview Gold

Grandview Gold Inc.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Years Ended May 31, 2012	2011
Cash flows from operating activities		
Net loss for the year	**$ (248,817)**	$ (408,907)
Gain on disposition of mineral property interests	**-**	(2,000)
Accrued interest	**(250)**	(249)
Premium on flow-through shares	**(80,667)**	-
Net change in non-cash working capital:		
HST and sundry receivables	**(33,149)**	(36,998)
Prepaid expenses	**1,738**	(4,842)
Accounts payable and accrued liabilities	**(21,758)**	39,735
Cash flows used in operating activities	**(382,903)**	(413,261)
Cash flows used in investing activities		
Mineral property expenditures	**(657,024)**	(418,986)
Proceeds on disposition of mineral property interests	**-**	2,000
Cash flows from financing activities		
Share/warrant issuance	**-**	621,667
Cost of issuance	**-**	(46,565)
Cash flows from financing activities	**-**	575,102
Change in cash and cash equivalents during the year	**(1,039,927)**	(255,145)
Cash and cash equivalents, beginning of year	**1,177,679**	1,432,824
Cash and cash equivalents, end of year	**$ 137,752**	$ 1,177,679

The accompanying notes are an integral part of these consolidated financial statements.

Grandview Gold

1. Nature of Operations and Going Concern

Grandview Gold Inc. (the "Company" or "Grandview") is a gold exploration company focused on exploring and developing gold properties in gold camps of North and South America. The Company was incorporated under the laws of the Province of Ontario. To date, the Company has not earned significant revenues from gold exploration and is considered to be in the exploration stage.

The consolidated financial statements were approved by the Board of Directors on August 27, 2012.

These consolidated financial statements were prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not earned revenue and has an accumulated deficit of $21,822,862. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast substantial doubt upon the Company's ability to continue as a going concern, as described in the following paragraph. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

Management is actively pursuing funding options, being financing and alternative funding options, required to meet the Company's requirements on an ongoing basis. During the year ended May 31, 2012, the financial market climate has been very difficult for junior mining companies, such as Grandview. In addition, a local community in Peru has not granted permission to the Company to begin exploration or development of the Giulianita property. In June 2011, exploration activity, work commitments and payments under the Option agreement were suspended until the local community delivers key surface access rights to allow the Company to carry out advanced exploration and development plans on the property. The Company has resubmitted a request proposal to the community and is awaiting their response. The Company is working on a plan to restart financing and work programs when appropriate. To meet the challenges of the current climate in the financial markets, the Company is minimizing its expenditures.

The Company has plans in place for it to be successful in obtaining financing. The majority of the Company's expenses at this stage of operations are discretionary and subject to change. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

As at May 31, 2012, the Company had cash and cash equivalents of $137,752 (May 31, 2011 - $1,177,679 and June 1, 2010 - $1,432,824) and working capital of $168,570 (May 31, 2011 - $1,155,078 and June 1, 2010 - $1,407,869) which is sufficient to pay accounts payable and accrued liabilities of $107,262 (May 31, 2011 - $129,019 and June 1, 2010 - $89,284) and 2013 projected expenditures.

2. Significant Accounting Policies

Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). As these financial statements represent the Company's first annual financial statements prepared in accordance with IFRS as issued by the IASB, they were prepared in accordance with IFRS 1, First-time Adoption of IFRS. The Company's consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The impact of the transition from Canadian GAAP to IFRS is explained in Note 15.

The policies set out below have been consistently applied by the Company to all the periods presented and in preparing the opening statement of financial position at June 1, 2010 (Note 15) for purposes of transition to IFRS.

2. Significant Accounting Policies (Continued)

Basis of Measurement

The consolidated financial statements have been prepared under the historical cost method other than short term investments which are stated at fair value.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries, Grandview Gold (USA) Inc. ("Grandview USA"), and Recuperacion Realzada S.A.C. ("Recuperacion"). All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Financial Instruments

Financial Assets

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following categories: financial assets at 'fair value through profit or loss' ("FVTPL") and ‘loans and receivables‘. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables are initially measured at fair value, and subsequently measured at amortized cost.

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

Financial Liabilities

Financial liabilities are classified as ‘other financial liabilities’ and are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or to the net carrying amount on initial recognition.

De-recognition of Financial Liabilities

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

2. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

The Company's financial instruments consist of the following:

Financial Assets:	Classification:
Cash and cash equivalents	Loans and receivables
Short term investments	FVTPL
Sundry receivable	Loans and receivables
Reclamation bond	Loans and receivables

Financial Liabilities:	Classification:
Accounts payable and other liabilities	Other financial liabilities

Financial Instruments Recorded at Fair Value

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly [i.e. as prices] or indirectly [i.e. derived from prices]; and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

As of May 31, 2012, the Company holds one short term investment and it was classified as Level 2 on the consolidated statements of financial position. The short term instrument was valued using cost plus accrued interest.

Mining Interests

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the policy of capitalizing costs relating to the acquisition of, exploration for and development of mineral properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

Impairment indicators for exploration and evaluation assets include the ending of our rights to explore, abandoning our plans to explore a mineral property, a lack of discovery of economically recoverable reserves on completion of our exploration and evaluation activities and on future production or proceeds of disposition.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is carried out.

2. Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents in the statements of financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, and which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and higher yield investment and savings accounts that are available on demand by the Company for its programs.

Share Based Payment Transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes [direct employee] or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Flow Through Shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. For accounting purposes, the proceeds from issuance of these shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting for income taxes, the deferred income tax liability related to the temporary difference arising at the earlier of renunciation and when the qualifying expenditures are incurred, are recorded at that time together with a corresponding recognition of the premium in the consolidated statements of loss and comprehensive loss.

Share Issuance Costs

Share issuance costs are recorded as a reduction of share capital.

Income Taxes

Income tax expenses are comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2. Significant Accounting Policies (Continued)

Income Taxes (Continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Provisions are determined by discounting the expected future cash flows, required to settle the obligation at a risk-free, pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

<u>Provision for environmental rehabilitation</u>

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a risk-free, pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted-average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a manner similar to basic loss per share, except the weighted-average shares outstanding are increased to include potential common shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants.

2. Significant Accounting Policies (Continued)

Foreign Currencies

The functional currency of the Company and each of its subsidiaries, Grandview Gold (USA) Inc. and Recuperacion Realzada S.A.C., is determined to be the Canadian Dollar. Management makes its assessment by considering first the primary indicators (expenses) of the economic environment in which each group entity operates and, if inconclusive, assessing secondary indicators (financing activities and funds receipts are stored in). For our non-Canadian entities, our expenses are in various currencies and as such, management has considered the financing of the subsidiaries as a key indicator being the Canadian dollar. The consolidated financial statements, the results and financial position are expressed in Canadian Dollars. All amounts in these financial statements are presented in Canadian dollars ("Presentation currency") as it better reflects the Company's business activities and it improves investors' ability to compare the Company's financial results with other publicly traded companies in the mining industry.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statement of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Expenses are translated at the average rate of exchange prevailing during the period. The resulting unrealized gain or loss on translation is recognized in the consolidated statement of loss and comprehensive loss. Equity is translated at historical rates.

Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

2. Significant Accounting Policies (Continued)

Critical Accounting Estimates

Recoverability of Mining Interests

Management is required to make jusgements about whether triggering events exist in relation to its mining interests. Such judgements include the future plans and budgets to undertake exploration and evaluation activity. When there are indications that an asset may be impaired, management is required to estimate the asset’s recoverable amount. The recoverable amount is the greater of the value in use and the fair value less selling costs. Determining the value in use requires management to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate the present value. Determining the fair value less costs to sell requires management to estimate expected market conditions to evaluate the price at which it would be able to realize its assets in an arms length transaction. This is subject to estimates and judgements related to mining assets in the exploration and evaluation stage including the Company's right to mine, results of exploration activities and managements planned expenditures. The largest obstacle to the Company's recoverability of its mining interests is obtaining surface access rights in the Gulianita property (see Note 6(c) for further detail). Based on management's assessment, there are no impairment indicators of non-financial assets that have been noted for the year ended May 31, 2012 or for the year ended May 31, 2011.

Stock-Based Compensation and Warrants

Management is required to make certain estimates when determining the fair value of stock options awards, warrants and the number of awards that are expected to vest. These estimates affect the amount recognized as stock-based compensation in the consolidated statements of loss and comprehensive loss based on estimates of forfeiture, as well as warrants in the consolidated statements of changes in shareholders' equity, expected lives of the underlying stock options, warrants and volatility. For the year ended May 31, 2012 the Company recognized $nil stock-based compensation expense and issued $nil warrrants (year ended May 31, 2011 - $nil stock-based compensation expense and $69,367 warrants).

Critical Accounting Judgments

Income Taxes and Recovery of Deferred Tax Assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

2. Significant Accounting Policies (Continued)

New Accounting Standards and Interpretations

IFRS 9 Financial Instruments (“IFRS 9”)

IFRS 9 was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement [“IAS 39”]. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. 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, 2015. The Company is assessing the impact of IFRS 9 on the financial statements.

IFRS 10 Consolidated Financial Statements (“IFRS 10”)

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008). IFRS 10 is effective for the annual period beginning on or after January 1, 2013. The Company is assessing the impact of IFRS 10 on its financial statements.

IFRS 11 Joint Arrangements (“IFRS 11”)

IFRS 11 replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures do not have the choice between equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment’s opening balance is tested for impairment in accordance with IAS 28 and IAS 36 Impairment of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. IFRS 11 is effective for the annual period beginning on or after January 1, 2013. The Company is assessing the impact of IFRS 11 on its financial statements.

IFRS 13, Fair Value Measurement ("IFRS 13")

IFRS 13, Fair Value Measurement was issued by the IASB on May 12, 2011. The new standard converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 13 on its consolidated financial statements.

There are no additional IFRS that are relevant and are expected to significantly impact the Company's financial statements as at the date of these financial statements.

3. Capital Management

The Company considers its capital structure to consist of share capital, warrants, contributed surplus and accumulated deficit. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration program and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so. Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions by:

i) minimizing discretionary disbursements;
ii) reducing or eliminating exploration expenditures which are of limited strategic value; and
iii) exploring alternate sources of liquidity.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient potential and if it has adequate financial resources to do so.

There were no changes in the Company's approach to capital management during the year ended May 31, 2012. The Company is not subject to externally imposed capital requirements.

4. Property and Financial Risk Factors

The Company's significant mineral properties are the Red Lake Gold Camp, Ontario, Canada, and the Guilianita Property, Peru.

Unless the Company acquires or develops additional significant properties, the Company will be solely dependent upon the Properties. If no additional mineral properties are acquired by the Company, any adverse development affecting the Properties would have a material adverse effect on the Company's financial condition and results of operations.

The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company has more exposure to credit risk associated with cash and cash equivalents, short term investments and sundry receivable. Cash and cash equivalents and short term investments are held with a reputable Canadian chartered bank, from which management believes the risk of loss to be minimal.

Sundry receivables are not past due or impaired as of May 31, 2012. Management believes that the credit risk concentration with respect to financial instruments included in sundry receivables is minimal.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2012, the Company had a cash and cash equivalents and short term investments balance of $163,289 (May 31, 2011 - $1,202,965 and June 1, 2010 - $1,457,861) to settle current liabilities of $107,262 (May 31, 2011 - $129,019 and June 1, 2010 - $89,284). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

4. Property and Financial Risk Factors (Continued)

Liquidity Risk (Continued)

In light of the Company's current cash and cash equivalent levels, the Company is reducing its expenditures until financing events are realized.

Market Risk

Market risk is the risk of loss that may arise from changes in interest rates, foreign exchange rates and commodity prices.

(a) Interest Rate Risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by the Company's Canadian chartered bank. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its bank.

(b) Foreign Currency Risk

The Company funds most operations, exploration and administrative expenses in Peru on a cash call basis using the Peruvian Sol or US dollars converted from its Canadian dollar bank accounts held in Canada. The foreign exchange risk derived from currency conversions is negligible and the company does not hold significant balances in foreign currencies, therefore the Company does not hedge its foreign exchange risk.

(c) Price Risk

The Company is not exposed to price risk with respect to commodity prices as the company is currently in exploration stage and does not earn revenues. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to gold to determine the appropriate course of action to be taken by the Company in the future.

Sensitivity Analysis

As of May 31, 2012, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

The sensitivity analysis shown in the notes below may differ materially from actual results.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

(i) Short term investments are subject to floating interest rates. As at May 31, 2012, if interest rates had decreased/increased by 1% with all other variables held constant, the loss/gain for the twelve months ended May 31, 2012 would have been approximately $250 higher/lower, as a result of lower/higher interest income from short term investments. As at May 31, 2012, reported shareholders' equity would have been approximately $250 lower/higher as a result of lower/higher interest income from short term investments.

4. Property and Financial Risk Factors (Continued)

Sensitivity Analysis (Continued)

(ii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold has fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for gold. A decline in the market price of gold may also require the Company to reduce its mining interests, which could have a material and adverse effect on the Company's value. As of May 31, 2012, the Company was not a gold producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

5. Short Term Investments

As of May 31, 2012, the Company has $25,000 (May 31, 2011 - $25,000; June 1, 2010 - $25,000) invested in cashable guaranteed investment certificates, bearing interest at 1.%. As at May 31, 2012, May 31, 2011 and June 1, 2010 the Company had accrued, $537, $286 and $37 respectively as interest receivable on its short term investments.

6. Mining Interests

(a) Red Lake Gold Camp, Ontario, Canada

(i) The Company owns a 100% interest in 8 mining claims located in the Red Lake Area, District of Kenora, in Northwestern Ontario.

(ii) On October 18, 2005, the Company signed a definitive Option Agreement with Fronteer Development Group Inc. ("Fronteer") for Fronteer's Dixie Lake Property (the "Dixie lake") located in Ontario's Red Lake Gold District on the following terms and conditions:

(a) the Company shall earn a 51% interest in the Dixie Lake Property by incurring exploration expenditures of $300,000 (completed), assuming payments totaling $75,000 to the underlying property vendor; and

(b) issuing 160,000 shares of the Company at $1.25 per share for a total value of $200,000, to a third party as a finder's fee (issued).

On October 17, 2007, the Company announced that it has fulfilled the terms of its option agreement with Fronteer relating to the Company's right to earn an undivided 51% interest in Dixie Lake.

Under the terms of the option agreement with Fronteer, dated August 26, 2005, the Company had a right to earn an undivided 51% interest in Dixie lake by spending US$300,000 over three years, making $75,000 in cash payments and issuing 40,000 shares to the underlying vendor. The Company presented a detailed accounting of its US$1,711,000 exploration program completed to date, as well as plans for exploration moving forward.

Fronteer accepted in writing, the Company's earn-in, as per the terms of the Option Agreement. As at May 31, 2012, the Company has earned a 67% participating interest in Dixie lake.

6. Mining Interests (Continued)

(a) Red Lake Gold Camp, Ontario, Canada (Continued)

(iii) On February 8, 2007, the Company announced it had signed a formal option agreement with EMCO SA, ("EMCO") relating to the acquisition of an option to acquire a 60 percent interest in the 10 unpatented and 2 patented claims in Sanshaw-Bonanza gold property on the following terms and conditions:

(a) the Company has an option to earn an undivided 60 percent interest in the Sanshaw-Bonanza property by incurring $250,000 in resource exploration and development expenditures on or before August 31, 2007; and

(b) issuing 115,000 of the Company's common shares (55,000 common shares were issued in February 2007 and valued at $22,000; 30,000 common shares were issued in April 2008 and valued at $10,800; 30,000 commons shares were issued in July 2008 and valued at $10,800) in tranches over an 18-month period and 200,000 warrants (issued) at an exercise price of $1.40 per share which will expire 36 months from the date of issuance.

The fair value of the 200,000 common share purchase warrants issued for the 60 percent interest in the 10 claim Sanshaw-Bonanza gold property has been estimated to be $32,200 using the Black-Scholes option pricing model. In determining this value, the following assumptions were used: risk-free interest rate of 3.96%, dividend yield of 0%, expected stock volatility of 101% and an expected life of 36 months.

Terms of the agreement provide for the dilution of EMCO's interest in the property to 10% on the occurrence of certain events, which would then convert their interest to a 3% NSR. An underlying 1.5% NSR remains with the original property owner.

On June 18, 2007, the Company amended the option agreement with EMCO relating to the Sanshaw-Bonanza property. The Company has agreed to increase the expenditures required to be incurred on or before August 31, 2008 to $500,000 and to issue to EMCO 100,000 common shares in the capital of the Company as consideration for the amended agreement (issued and valued at $35,000).

On September 11, 2008, the Company reported that it has incurred the expenditures required to successfully fulfill the terms of its option agreement with EMCO to earn a 60% undivided interest in the Sanshaw-Bonanza property.

(iv) On April 28, 2010, the Company announced that, through a series of cash and share payments (the "Transaction"), it had:

1. acquired the remaining 40% interest in its Sanshaw-Bonanza property (the "Property") in the Red LakeGold District of Ontario from EMCO Corporation S.A. ("EMCO");
2. acquired four additional claims which are contiguous to the Property from Perry English ("English"); and
3. reduced the existing NSR on the Property, so that the Company now holds a 100% interest in and to the Property, subject only to an NSR of just 0.375%.

Grandview had previously completed expenditure requirements to earn a 60% interest in the Property as per an option agreement with EMCO dated February 7, 2007. To acquire the remaining 40% interest in the Property, the Company paid EMCO $25,000 in cash and issued 50,000 common shares in its capital. Also, the Company expanded the Property parcel by acquiring two unpatented claims and two patented claims for aggregate consideration of $60,000 in cash and the issuance of 500,000 common shares in its capital.

6. Mining Interests (Continued)

(a) Red Lake Gold Camp, Ontario, Canada (Continued)

(iv) (Continued)

Concurrently, the Company also purchased 75% of the outstanding 1.5% NSR on the Property for $25,000 cash. Cumulative expenditures related to the Transaction totalled $110,000 cash and 550,000 common shares of the Company.

The Company has spent all funds raised in conjunction with the December 31, 2010 flow-through private placement on eligible Canadian exploration expenditures by, on or before December 31, 2011.

(b) Rice Lake Gold Camp, Manitoba, Canada

Grandview had a 100% interest in 16 unpatented mining claims in the Long Lake - Cat Lake area of southeastern Manitoba (the "GVG Property"). The Company staked these claims in 2005 and 2006. In fiscal 2009, the Company determined that the carrying value of its Rice Lake Gold Camp in Manitoba, Canada could not be supported, resulting in an impairment charge of $1,557,112. During the year ended year ended May 31, 2011, the Company disposed the Bissett properties within its Rice Lake Gold Camp for $2,000. The Company received a 1% Net Smelter Return on the disposed property.

(c) Guilianita Project, Peru

On July 2, 2009, a binding Memorandum of Understanding (the “Memorandum”) was signed with a private Peruvian Group which granted a two-stage option (the "Option") to acquire up to a 100% interest in a property located in the Suyo District, Ayabaca Province, Piura Department, Peru (the “Guilianita”). The Option provided the Company with a right to earn an 80% interest in Guilianita by (i) making a US$20,000 cash payment on signing of the Memorandum; (ii) incurring CAD $1.4 million in exploration and development expenditures; and (iii) issuing a total of two million common shares of the Company over a three year period. (issued - 200,000 common shares).

The Option also allowed the Company to acquire the remaining 20% subject to it making an additional payment of US$300,000 (CAD$313,050) and issuing a further 250,000 common shares of the Company prior to the third anniversary of the date of the Memorandum.

To date, the local community has not granted permission to the Company to begin exploration or development of the Giulianita property. In June 2011, exploration activity was suspended until the local community delivers key surface access rights (the "Rights") to allow the Company to carry out advanced exploration and development plans on the property. Work and payment commitments under the Option agreement have also been suspended. The Company has resubmitted a request proposal to the community and is awaiting their response. The Company is working on a plan to restart financing and work programs.

On August 18, 2012, the Company finalized an amendment (the "Amendment") to the Memorandum dated July 2, 2009. As per the Amendment, the terms of the Memorandum are suspended until an agreement is reached with the local community to grant the Company the necessary Rights. At such time that the Company is granted the Rights, the terms of the Memorandum will resume. If the Company has not received the Rights by May 31, 2013, it will relinquish its interest in the property and will be released from any obligations under the terms of the Memorandum.

(Expressed in Canadian Dollars)

6. Mining Interests (Continued)

As of May 31, 2012, accumulated costs with respect to the Company's interest in mineral properties, consisted of the following:

Mining interests	
Balance, June 1, 2010	$ 4,149,771
Additions	420,986
Gain on disposition of mineral property rights	(2,000)
Balance, May 31, 2011	4,568,757
Additions	657,024
Balance, May 31, 2012	$ 5,225,781

7. Share Capital

(a) Authorized

Unlimited number of common shares

Unlimited number of preference shares. The preference shares are without par value, redeemable, voting, non-participating, and are convertible into common shares at the rate of one common share for five preference shares (none currently issued and outstanding).

(b) Issued

	Number of Common Shares	**Amount** (Note 15)
Balance, June 1, 2010	**72,763,033**	**$ 16,093,441**
Exercise of warrants	333,333	32,000
Private placement (i)	8,066,666	605,000
Premium on flow-through (i)	-	(80,667)
Warrant valuation (i)	-	(43,776)
Cost of issue - broker warrant valuation (i)	-	(25,591)
Cost of issue (i)	-	(46,565)
Balance, May 31, 2011 and May 31, 2012	**81,163,032**	**$ 16,533,842**

(i) On December 31, 2010, the Company closed a non-brokered private placement (the "Placement") with the Mineral Fields Group. The Placement resulted in the issuance by the Company of a total of 8,066,666 flow-through units in the capital of the Company (the “Flow-Through Units”) at a purchase price of $0.075 per Flow-Through Unit for gross proceeds to the Company of $605,000. Each Flow-Through Unit consists of one common share of the Company issued on a flow-through basis and one-half of one common share purchase warrant ("Warrant"). Each whole Warrant is exercisable to acquire one further common share of the Company on a non-flow-through basis at a price of $0.15 for the first 12 months following issuance and at $0.20 for the second twelve months. The flow-through shares were issued at a premium to the market price in recognition of the tax benefits accruing to the subscribers. The deferred premium on flow-through shares was calculated to be $80,667, net of transaction costs. During the year ended May 31, 2012, the deferred premium on flow-through shares of $80,667 was reversed (resulting from flow-through funds spent) and recorded as a premium on flow-through shares in the consolidated statements of loss and comprehensive loss for the year ended May 31, 2012.

(Expressed in Canadian Dollars)

7. Share Capital (Continued)

(b) Issued (Continued)

The fair value of the 4,033,332 common share purchase warrants has been estimated to be $43,776 using the Black-Scholes option pricing model. In determining this value, the following assumptions were used: risk-free interest rate of 1.66%, dividend yield of 0%, expected stock volatility of 112.13% and an expected life of 12 months.

In connection with the Placement, the Company paid eligible persons (the "Finders") a cash fee of 6.0% of the gross proceeds raised through each Finder under the Offering and also issued finder's warrants (each a "Finder's Warrant") equal to 7.5% of the total number of Flow-Through Units placed by such Finders. Each Finder's Warrant entitles the holder to acquire one unit (each a "Finder's Unit" and collectively the "Finder's Units") with each Finder's Unit being comprised of one common share of the Company on a non-flow-though basis and one-half of one Warrant on the same terms as above, expiring December 31, 2012. On closing, the Company paid $36,300 in cash fees to the Finders and issued 604,999 Finder's Warrants to the Finders. In addition, the Company also paid a cash diligence fee of $10,265 in connection with the Placement.

The fair value of the 604,999 Finder's Warrants has been estimated to be $25,591 using the Black-Scholes option pricing model. In determining this value, the following assumptions were used: risk-free interest rate of 1.66%, dividend yield of 0%, expected stock volatility of 137.49% and an expected life of 24 months.

8. Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance, June 1, 2010	**26,999,998**	**$ 0.12**
Issued (note 7(b)(i))	4,638,331	0.16
Exercised	(333,333)	(0.05)
Balance, May 31, 2011 and May 31, 2012	**31,304,996**	**$ 0.13**

The following are the warrants outstanding at May 31, 2012:

	Number of Warrants	Fair Value	Exercise Price	Expiry Date
(i)	26,666,665	$ 1,631,999	$ 0.12	December 3, 2012
	4,033,332	43,776	0.18	December 30, 2012
	604,999	25,591	0.08	December 21, 2012
	31,304,996	**$ 1,701,366**	**$ 0.13**	

(i) On November 28, 2011, the Company extended the term of the 26,666,665 warrants issued by the Company on December 3, 2009. The Warrants, which were scheduled to expire on December 3, 2011, will now expire on December 3, 2012. The extension increased the fair value of the warrants by $191,999 as estimated by the difference between the fair value of the modified warrants and that of the original warrants as at the date of the approval of the extension using the Black-Scholes option pricing model with the following assumptions for the modified warrants: dividend yield of 0%; expected volatility of 118%; risk-free interest rate of 0.98% and an expected average life of 1.01 years and with the following assumptions for the original warrants: dividend yield of 0%; expected volatility of 226%; risk-free interest rate of 0.98% and an expected average life of 0.01 years.

(Expressed in Canadian Dollars)

9. Stock Options

The Company maintains an employee stock option plan under which the Board of Directors, or a committee appointed for such purpose, may from time to time grant to employees, officers, directors or consultants of the Company, options to acquire common shares in such numbers, for such terms and at such exercise prices, as may be determined by the Board of Directors or such committee.

The stock option plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance for all purposes under the stock option plan shall be equal to 10% of the total issued and outstanding common shares and that the maximum number of common shares which may be reserved for issuance to any one optionee pursuant to share options may not exceed 5% of the common shares outstanding at the time of grant.

The options are valid for a maximum of 5 years from the date of issue and the normal vesting term is 1/4 immediately and 1/4 after 3, 6 and 9 month period from the date of grant. Grandview uses the graded vesting method

The following is continuity of stock options:

	Number of of Stock Options	Weighted Average Exercise Price
Balance, June 1, 2010	**5,875,000**	**$ 0.38**
Cancelled	(375,000)	(0.15)
Expired	(250,000)	(1.80)
Balance, May 31, 2011	**5,250,000**	**$ 0.33**
Cancelled	(1,150,000)	(0.37)
Balance, May 31, 2012	**4,100,000**	**$ 0.31**

The following are the stock options outstanding and exercisable at May 31, 2012:

	Options outstanding			Options exercisable	
Expiry Date	**Number of Options**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
September 27, 2012	1,200,000	0.33	$ 0.68	1,200,000	$ 0.68
June 23, 2014	2,000,000	2.06	0.15	2,000,000	0.15
December 9, 2014	900,000	2.53	0.15	900,000	0.15
	4,100,000	**1.66** years	**$ 0.31**	**4,100,000**	**$ 0.31**

(Expressed in Canadian Dollars)

10. Basic and Diluted Loss Per Share

	Years Ended May 31, 2012	May 31, 2011
Numerator for basic loss per share	**$ (248,817)**	$ (408,907)
Numerator for diluted loss per share	**$ (248,817)**	$ (408,907)
Denominator for basic loss per share Weighted average number of common shares	**81,163,032**	76,271,891
Denominator for diluted loss per share Weighted average number of common shares	**81,163,032**	76,271,891
Basic loss per share	**$ (0.00)**	$ (0.01)
Diluted loss per share	**$ (0.00)**	$ (0.01)

Diluted loss per share reflects the maximum possible dilution from the potential exercise of outstanding stock options and warrants and the conversion of convertible securities. However, the effect of outstanding warrants and stock options has not been included for periods with net losses as the effect would be anti-dilutive.

11. Segmented Information

The Company's operations comprise a single reporting operating segment engaged in mineral exploration, which is consistent with the internal reporting reviewed by the Chief Operating Decision Maker, which is determined to the be the CEO. The Company's single operating segment is separated by geographic location.

The Company's non-current assets by geographic location are:

	May 31, 2012	May 31, 2011	June 1, 2010
Canada	**$ 4,461,962**	$ 3,934,755	$ 3,887,666
Peru	**763,819**	646,720	275,804
Total non-current assets	**$ 5,225,781**	$ 4,581,475	$ 4,163,470

The Company's loss and comprehensive loss by geographic location are:

	May 31, 2012	May 31, 2011
Canada	**$ 218,663**	$ 391,317
Peru	**30,154**	17,590
Total assets	**$ 248,817**	$ 408,907

(Expressed in Canadian Dollars)

12. Related Party Transactions

	Notes	Years Ended May 31, 2012	Years Ended May 31, 2011
Doublewood Consulting Inc.	(i)	**$ 112,500**	$ 150,000
7346034 Canada Corporation	(ii)	**21,000**	33,000
Marrelli Support Services Inc.	(iii)	**47,031**	41,584
DSA Filing Services	(iv)	**300**	2,535

i) For the year ended May 31, 2012, $112,500 (year ended May 31, 2011 - $150,000) was paid to the President and CEO of the Company for consulting services. Included in this amount was $61,375 (year ended May 31, 2011 - $75,250) capitalized to mining interests. Included in accounts payable as at May 31, 2012 is $nil (May 31, 2011 - $nil and June 1, 2010 - $nil) in relation to consulting services rendered.

ii) For the year ended May 31, 2012, $21,000 (year ended May 31, 2011 - $33,000) in consulting fees was paid or accrued to the former Chief Financial Officer or a company controlled by the former Chief Financial Officer. Included in accounts payable as at May 31, 2012 is $nil (May 31, 2011 - $nil and June 1, 2010 - $6,000) in relation to consulting services rendered.

iii) For the year ended May 31, 2012, $47,031 (year ended May 31, 2011 - $41,584) in consulting and professional fees was paid or accrued to the current Chief Financial Officer or a company controlled by the current Chief Financial Officer. Included in accounts payable as at May 31, 2012 is $2,471 (May 31, 2011 - $2,559 and June 1, 2010 - $2,536) in relation to consulting and professional services rendered.

iv) For the year ended May 31, 2012, $300 (year ended May 31, 2011 - $2,535) in filing fees was paid or accrued to a company controlled by the current Chief Financial Officer. Included in accounts payable as at May 31, 2012 is $nil (May 31, 2011 - $nil and June 1, 2010 - $nil) in relation to filing services rendered.

v) Effective November 30, 2010, the Company entered into two agreements in respect of the sale of four mining claims owned by it and located in Manitoba, being the Packsak, Clapelou Patent Claims, CUPP2 Frac and CUPP3 Frac (collectively, the "Claims"). Two of the four Claims were transferred to Centerpoint Resources Inc. ("Centerpoint") and the remaining two were transferred to Centershield Gold Mines Inc., a subsidiary of Centerpoint. The Company received nominal cash consideration on closing and retained a 1% NSR over the Claims. Two directors of the Company are senior officers with Centrepoint.

These transactions were in the normal course of operations and were measured at fair value.

There was no other remuneration of Directors or key management personnel (determined to be the Chief Executive Officer and Chief Financial Officer) for the year ended May 31, 2012 (2011 - $nil), except as noted above. The board of directors and select officers do not have employment or services contracts with the Company. Directors are entitled to director fees and stock options for their services and officers are entitled to stock options for their services.

(Expressed in Canadian Dollars)

13. General and Administration Expenses

		Years Ended May 31, 2012		May 31, 2011
Investor relations, business development and reporting issuer costs	**$**	**73,929**	$	85,387
Professional fees		**136,334**		153,760
Management and consulting services		**79,625**		107,750
Office and administration		**40,174**		58,120
Other		**-**		6,568
	$	**330,062**	$	411,585

14. Income Taxes

Future income taxes reflect the net tax effects of temporary timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts for income tax purposes.

The reconciliation of the combined Canadian federal and provincial statutory income tax rate on the net loss for the years ended May 31 is as follows:

		2012		2011
Net loss before recovery of income taxes	**$**	**(248,817)**	$	(408,907)
Expected income tax recovery		**(68,425)**		(120,791)
Tax rate changes and other adjustments		**(31,271)**		116,992
Effect of flow-through renunciation		**166,375**		-
Non-deductible expenses		**7,444**		-
Cost of issue		**-**		(51,329)
Change in tax benefits not recognized		**(74,123)**		55,128
Income tax expense	**$**	**-**	$	-

The 2012 statutory tax rate of 27.5% differs from the 2011 statutory tax rate of 29.54% because of the reduction in federal and provincial substantively enacted tax rates.

(Expressed in Canadian Dollars)

14. Income Taxes (Continued)

Deferred Income Tax Assets

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	May 31, 2012	May 31, 2011
Exploration expenditures	**$ 5,750,700**	$ 6,353,100
Non-capital losses - Canada	**6,512,200**	6,102,900
Non-capital losses - Peru	**39,800**	34,400
Marketable securities	**325,300**	325,300
Share issue and financing costs	**52,100**	176,000

The Canadian non-capital loss carry forwards expire as noted in the table below. Peruvian losses may be carried forward indefinitely but may only be applied against 50% of taxable income in each subsequent year. Share issue and financing costs expire from 2013 to 2015. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2015	**$ 724,300**
2026	**1,366,100**
2027	**1,685,100**
2028	**1,760,300**
2031	**566,000**
2032	**410,400**

15. Conversion to IFRS

(i) Overview

As stated in Significant Accounting Policies Note 2, these consolidated financial statements have been prepared in accordance with IFRS as issued by IASB.

The accounting policies described in Note 2 have been applied in preparing the consolidated financial statements for the year ended May 31, 2012, including comparatives at May 31, 2011, and in preparation of an opening IFRS statement of financial position at June 1, 2010 (the Company's Transition Date).

(ii) First-Time Adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS consolidated statement of financial position as at June 1, 2010.

- To apply IFRS 2 Share based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.

The Company has applied the following mandatory exemptions in its preparation of an opening IFRS consolidated statement of financial position as at June 1, 2010.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS consolidated statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

The Company's Transition Date IFRS consolidated statement of financial position is included as comparative information in the statements of financial position in these consolidated financial statements.

(iii) Changes to Accounting Policies

The Company has changed certain accounting policies to be consistent with IFRS as is effective on May 31, 2012, the Company's first annual IFRS reporting date. However, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue, expenses or cash flow within its financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

(a) Impairment of non-financial assets

IFRS requires a write down of assets if the higher of the fair value less costs to sell and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP required a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There was no impact on the consolidated financial statements.

15. Conversion to IFRS (Continued)

(iii) Changes to Accounting Policies (Continued)

(b) Provision for environmental rehabilitation

IFRS requires the recognition of a provision for environmental rehabilitation for legal or constructive obligations, while Canadian GAAP only required the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to environmental rehabilitation have been changed to reflect these differences. There is no impact on the consolidated financial statements.

(c) Flow through shares and deferred taxes

Under Canadian GAAP, the Company followed the recommendations of the Emerging Issues Committee (“EIC”) of the CICA with respect to flow-through shares, as outlined in EIC-146. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

As part of the transition to IFRS the Company has adopted a policy to allocate the proceeds between the offering of the shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors. The liability is reduced and the reduction of premium liability is recorded in other income on a pro-rata basis based on the corresponding eligible expenditures that have been incurred and it is the Company’s intention to file the appropriate renunciation forms with the Canadian taxation authorities.

Further, the corresponding reduction of share capital in respect of flow-through share financing as previously recorded under Canadian GAAP is now recorded as an expense in the consolidated statements of loss and comprehensive loss.

(d) Presentation

Certain amounts in the consolidated statement of loss and comprehensive loss have been reclassified to conform to the presentation adopted under IFRS as noted in the following section. There was no impact on the presentation of cash flows as a result of the change to IFRS.

(Expressed in Canadian Dollars)

15. Conversion to IFRS (Continued)

(iv) Reconciliation between IFRS and Canadian GAAP

The June 1, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

June 1, 2010	Canadian GAAP	IFRS Adjustments	IFRS
Assets			
Current assets			
Cash and cash equivalents	$ 1,432,824	$ -	**$ 1,432,824**
Short term investments	25,037	-	**25,037**
HST and sundry receivable	26,416	-	**26,416**
Prepaid expenses	12,876	-	**12,876**
	1,497,153	-	**1,497,153**
Reclamation bond	13,699	-	**13,699**
Mining interests	4,149,771	-	**4,149,771**
	$ 5,660,623	$ -	**$ 5,660,623**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$ 89,284	$ -	**$ 89,284**
Provision for environmental rehabilitation	13,699	-	**13,699**
	102,983	-	**102,983**
Shareholders' equity			
Share capital (Note 15(iii)(c))	15,081,883	1,011,558	**16,093,441**
Warrants (Note 15(iii)(d))	1,455,333	-	**1,455,333**
Contributed surplus (Note 15(iii)(d))	8,982,005	-	**8,982,005**
Deficit (Note 15(iii)(c))	(19,961,581)	(1,011,558)	**(20,973,139)**
	5,557,640	-	**5,557,640**
	$ 5,660,623	$ -	**$ 5,660,623**

(Expressed in Canadian Dollars)

15. Conversion to IFRS (Continued)

(iv) Reconciliation between IFRS and Canadian GAAP (Continued)

The May 31, 2011 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

May 31, 2011	Canadian GAAP	IFRS Adjustments	IFRS
Assets			
Current assets			
Cash and cash equivalents	$ 1,177,679	$ -	**$ 1,177,679**
Short term investments	25,286	-	**25,286**
HST and Sundry receivable	63,414	-	**63,414**
Prepaid expenses	17,718	-	**17,718**
	1,284,097	-	**1,284,097**
Reclamation bond	12,718	-	**12,718**
Mining interests	4,568,757	-	**4,568,757**
	$ 5,865,572	$ -	**$ 5,865,572**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$ 129,019	$ -	**$ 129,019**
Provision for environmental rehabilitation	12,718	-	**12,718**
Deferred premium on flow-through shares (Note 15(iii)(c))	-	80,667	**80,667**
	141,737	80,667	**222,404**
Shareholders' equity			
Share capital (Note 15(iii)(c))	15,602,951	930,891	**16,533,842**
Warrants (Note 15(iii)(d))	1,509,367	-	**1,509,367**
Contributed surplus (Note 15(iii)(d))	8,982,005	-	**8,982,005**
Reserves (Note 15(iii)(d))	-	-	**-**
Deficit (Note 15(iii)(c))	(20,370,488)	(1,011,558)	**(21,382,046)**
	5,723,835	(80,667)	**5,643,168**
	$ 5,865,572	$ -	**$ 5,865,572**

(Expressed in Canadian Dollars)

15. Conversion to IFRS (Continued)

(iv) Reconciliation between IFRS and Canadian GAAP (Continued)

The year ended May 31, 2011 Canadian GAAP consolidated statement of loss and comprehensive loss has been reconciled to IFRS as follows:

Year ended May 31, 2011	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS
Expenses:				
Investor relations, business development and reporting issuer maintenance costs	$ 85,387	$ -	$ (85,387)	**$ -**
Professional fees	153,760	-	(153,760)	**-**
Management and consulting services	107,750	-	(107,750)	**-**
Office and administration (Note 15(iii)(d))	58,120	-	353,465	**411,585**
Exploration evaluation expenses	8,568	-	(8,568)	**-**
Gain on disposition of mineral property rights	(2,000)	-	2,000	**-**
Operating loss before the following	(411,585)	-	-	**(411,585)**
Interest income	2,678	-	-	**2,678**
Net loss and comprehensive loss	$ (408,907)	$ -	$ -	**$ (408,907)**