Grandview Gold

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MAY 31, 2013 AND 2012

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Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Grandview Gold Inc.

We have audited the accompanying consolidated financial statements of Grandview Gold Inc. and its subsidiaries, which comprise the consolidated statement of financial position as at May 31, 2013, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' (deficit) equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained 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. and its subsidiaries as at May 31, 2013, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company had a working capital deficit as at May 31, 2013. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

The consolidated financial statements of Grandview Gold Inc. for the year ended May 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on August 27, 2012.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
July 12, 2013

Grandview Gold Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at		May 31, 2013		May 31, 2012
Assets				
Current				
Cash	**$**	**17,187**	$	137,752
Short term investments (Note 5)		**-**		25,537
HST and sundry receivable		**8,070**		96,563
Prepaid expenses		**-**		15,980
Total current assets		**25,257**		275,832
Exploration and evaluation property interests (Note 6)		**-**		5,225,781
Total assets	**$**	**25,257**	$	5,501,613
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 12)	**$**	**112,781**	$	107,262
Total liabilities		**112,781**		107,262
Shareholders' (deficit) equity		**(87,524)**		5,394,351
Total liabilities and shareholders' (deficit) equity	**$**	**25,257**	$	5,501,613

Nature of operations and going concern (Note 1)

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, 2013	2012
Expenses		
General and administration (Note 13)	**$ 205,007**	$ 330,062
Impairment of exploration and evaluation property interests (Note 6)	**5,235,841**	-
Uncollected Peruvian value added taxes	**41,027**	-
Operating loss	**(5,481,875)**	(330,062)
Interest income	**-**	578
Premium on flow-through shares	**-**	80,667
Loss before income taxes	**(5,481,875)**	(248,817)
Income tax recovery (Note 14)	**225,000**	-
Net loss and comprehensive loss for the year	**$(5,256,875)**	$ (248,817)
Loss per share - basic and diluted (Note 10)	**$ (0.06)**	$ (0.00)
Weighted average number of shares outstanding - basic and diluted	**81,163,032**	81,163,032

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

Grandview Gold Inc.

Consolidated Statements of Changes in Shareholders' (Deficit) Equity

(Expressed in Canadian Dollars)

		Reserves			
	Share Capital (Note 7)	**Warrant Reserve** (Note 8)	**Equity Settled Share Based Payments Reserve** (Note 9)	**Deficit**	**Total**
Balance, May 31, 2011	**$ 16,533,842**	**$ 1,509,367**	**$ 8,982,005**	**$ (21,382,046)**	**$ 5,643,168**
Modification of warrants	-	191,999	-	(191,999)	-
Net loss for the year	-	-	-	(248,817)	(248,817)
Balance, May 31, 2012	**$ 16,533,842**	**$ 1,701,366**	**$ 8,982,005**	**$ (21,822,862)**	**$ 5,394,351**
Expired warrants, net of tax	-	(1,701,366)	-	1,476,366	(225,000)
Net loss for the year	-	-	-	(5,256,875)	(5,256,875)
Balance, May 31, 2013	**$ 16,533,842**	**$ -**	**$ 8,982,005**	**$ (25,603,371)**	**$ (87,524)**

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, 2013	2012
Cash flows from operating activities		
Net loss for the year	**$ (5,256,875)**	$ (248,817)
Impairment of exploration and evaluation property interests	**5,235,841**	-
Accrued interest	**537**	(250)
Premium on flow-through shares	**-**	(80,667)
Income tax recovery	**(225,000)**	-
Net change in non-cash working capital:		
HST and sundry receivables	**88,493**	(33,149)
Prepaid expenses	**15,980**	1,738
Accounts payable and accrued liabilities	**187**	(21,758)
Cash flows from operating activities	**(140,837)**	(382,903)
Cash flows from investing activities		
Exploration and evaluation property expenditures	**(4,728)**	(657,024)
Redemption of short term investments	**25,000**	**-**
Cash flows from investing activities	**20,272**	(657,024)
Change in cash during the year	**(120,565)**	(1,039,927)
Cash, beginning of year	**137,752**	1,177,679
Cash, end of year	**$ 17,187**	$ 137,752

SUPPLEMENTARY CASH FLOW INFORMATION:

Exploration and evaluation property interests included in accounts payable and accrued liabilities	**$ 5,332**	$ -

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 and evaluation stage.

The consolidated financial statements were approved by the Board of Directors on July 12, 2013.

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 $25,603,371 as at May 31, 2013. As at May 31, 2013, the Company had cash of $17,187 (2012 - $137,752) and a working capital deficit of $(87,524) (2012 - working capital of $168,570). 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, 2013, the financial market climate has been very difficult for junior resource companies, such as Grandview. To meet the challenges of the current climate in the financial markets, the Company is minimizing its expenditures.

Effective on February 12, 2013, the shares of the Company commenced trading on the NEX. The Company has voluntarily delisted from trading on the Toronto Stock Exchange effective at the close on February 11, 2013. The Company no longer meets Toronto Stock Exchange minimum listing requirements and also does not meet the requirements of a TSX Venture Exchange Tier 2 company.

As of February 12, 2013, the Company is subject to restrictions on share issuances and certain types of payments as set out in the NEX policies. The symbol extension differentiates NEX symbols from Tier 1 or Tier 2 symbols within the TSX Venture Exchange market. The Company is classified as a mining company.

2. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee of the IASB. The policies set out below have been consistently applied to all periods presented. These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit and loss. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

2. Significant Accounting Policies (Continued)

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.

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of loss.

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method.

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	Loans and receivables
Short term investments	FVTPL
Sundry receivable	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 held one short term investment classified as Level 2 on the consolidated statements of financial position. The short term instrument was valued using cost plus accrued interest. As of May 31, 2013, the short term investment was redeemed.

Exploration and Evaluation Property Interests

The Company is in the exploration and evaluation stage with respect to its investment in exploration and evaluation properties and accordingly follows the policy of capitalizing costs relating to the acquisition of, exploration for and evaluation of mineral properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. Exploration and evaluation costs incurred before the Company has a legal right to explore are expensed as incurred. The aggregate costs related to abandoned exploration and evaluation 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 exploration and evaluation 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 rights to explore, abandoning plans to explore a mineral property, a lack of discovery of economically recoverable reserves on completion of exploration and evaluation activities and on future production or proceeds of disposition.

All capitalized exploration and evaluation expenditures are 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

Cash in the statements of financial position comprise cash at banks and on hand. The Company's cash is 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.

Short term investments

Short term investments are liquid investments with a maturity greater than three months but less than one year.

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.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

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.

2. Significant Accounting Policies (Continued)

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.

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.

Provision for environmental rehabilitation
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.

2. Significant Accounting Policies (Continued)

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.

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 the non-Canadian entities, expenses are in various currencies and as such, management has considered the currency of the financing of the subsidiaries as a key indicator being the Canadian dollar. The consolidated financial statements are expressed in Canadian Dollars, the presentation currency.

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. 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.

2. Significant Accounting Policies (Continued)

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:

Recoverability of Exploration and Evaluation Property Interests
Management is required to make judgements about whether triggering events exist in relation to its exploration and evaluation property 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 exploration and evaluation property interests is obtaining surface access rights in the Guilianita property (see Note 6(c) for further detail). Based on management's assessment, the Company's non-financial assets are impaired as of May 31, 2013 and the Company has written-off its exploration and evaluation property interests in the amount of $5,235,841 (May 31, 2012 - no impairment indicators identified by management).

Share-Based Compensation and Warrants
Management is required to make certain estimates when determining the fair value of stock option awards, warrants and the number of awards that are expected to vest. These estimates affect the amount recognized as share-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, 2013 the Company recognized $nil share-based compensation expense and issued $nil warrants (year ended May 31, 2012 - $nil share-based compensation expense and $nil 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 with earlier adoption permitted. The Company is assessing the impact of IFRS 9 on its 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 annual periods 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 annual periods beginning on or after January 1, 2013. The Company is assessing the impact of IFRS 11 on its financial statements.

IFRS 12 Disclosure of interests in other entities (“IFRS 12”)
IFRS 12 was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impact of IFRS 12 on its financial statements.

IFRS 13 Fair Value Measurement ("IFRS 13")
IFRS 13 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. The Company is assessing the impact of IFRS 13 on its financial statements.

2. Significant Accounting Policies (Continued)

New Accounting Standards and Interpretations (Continued)

IAS 1 Presentation of financial statements ("IAS 1")
IAS 1 was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The Company is assessing the impact of IAS 1 on its financial statements.

IAS 28 Investments in Associates and Joint Ventures ("IAS 28")
IAS 28 was issued by the IASB in May 2011 and supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. IAS 28 also provides guidance on how the equity method of accounting is to be applied and also prescribes how investments in associates and joint ventures should be tested for impairment. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. The Company is assessing the impact of IAS 28 on its financial statements.

IAS 32 Financial Instruments: Presentation ("IAS 32")
IAS 32 was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted. The Company is assessing the impact of IAS 32 on its financial statements.

3. Capital Management

The Company considers its capital structure to consist of share capital, warrant reserve, equity settled share-based payments reserve 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 evaluation of its exploration and evaluation property interests. 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 Company is currently in the exploration and evaluation 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.

3. Capital Management (Continued)

There were no changes in the Company's approach to capital management during the year ended May 31, 2013. The Company is not subject to externally imposed capital requirements.

4. Financial Risk Factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest and foreign exchange rate risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

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, short term investments and sundry receivable. Cash and short term investments are held with a reputable Canadian chartered bank, from which management believes the risk of loss to be minimal.

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, 2013, the Company had a cash and short term investments balance of $17,187 (2012 - $163,289) to settle current liabilities of $112,781 (2012 - $107,262). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company is currently searching for financing alternatives.

In light of the Company's current cash 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 the exploration and evaluation 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.

4. Financial Risk Factors (Continued)

Sensitivity Analysis

As of May 31, 2013 and 2012, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent, due to their short term nature.

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) 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 exploration and evaluation property interests, which could have a material and adverse effect on the Company's value. As of May 31, 2013 and 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, 2013, the Company had $nil (2012 - $25,000) invested in cashable guaranteed investment certificates, bearing interest at 1%. As at May 31, 2013 and 2012 the Company had accrued, $nil and $537, respectively as interest receivable on its short term investments.

6. Exploration and Evaluation Property Interests

(a) Red Lake Gold Camp, Ontario, Canada

(i) The Company owns a 100% interest in certain 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.

6. Exploration and Evaluation Property Interests (Continued)

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

Under the terms of an option agreement with Fronteer, dated August 26, 2005, the Company had a right to earn an undivided 51% interest in the Dixie Lake Property 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, 2013, the Company has earned a 67% participating interest in the Dixie Lake Property.

(iii) On September 11, 2008, the Company reported that it had incurred the expenditures required to successfully fulfill the terms of its option agreement with EMCO SA, ("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 it had:

1. acquired the remaining 40% interest in its Sanshaw-Bonanza property in the Red Lake Gold District of Ontario from 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 0.375% NSR.

On May 31, 2013, the Company decided not to proceed with exploration on the Red Lake Gold Camp properties and has written-off $4,884,427 of project expenditure.

(b) Rice Lake Gold Camp, Manitoba, Canada

During the year ended year ended May 31, 2011, the Company disposed of its 100% interest in the Bissett Property within its Rice Lake Gold Camp for $2,000. The Company received a 1% NSR 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 Project"). The Option provided the Company with a right to earn an 80% interest in the Guilianita Project by (i) making a US$20,000 cash payment on signing of the Memorandum; (ii) incurring $1.4 million in exploration and evaluation 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 and issuing a further 250,000 common shares of the Company prior to the third anniversary of the date of the Memorandum.

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Property Interests (Continued)

(c) Guilianita Project, Peru (Continued)

On August 18, 2012, the Company finalized an amendment (the "Amendment") to the Memorandum. 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 key surface access rights (the "Rights") to allow the Company to carry out advanced exploration and development plans on the property. 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. As of May 31, 2013, the Company has not received the Rights and has decided not to proceed with the Guilianita Project and has written-off $351,414 of project expenditure.

As of May 31, 2013, accumulated costs with respect to the Company's exploration and evaluation property interests, consisted of the following:

Exploration and Evaluation Property Interests	
Balance, May 31, 2011	**$ 4,568,757**
Additions	657,024
Balance, May 31, 2012	**5,225,781**
Additions	10,060
Impairment of mining interests	(5,235,841)
Balance, May 31, 2013	**$ -**

7. Share Capital

(a) Authorized

Unlimited number of common shares with no par value

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
Balance, May 31, 2011, 2012 and 2013	**81,163,032**	**$ 16,533,842**

(Expressed in Canadian Dollars)

8. Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance, May 31, 2011 and May 31, 2012	**31,304,996**	**$ 0.13**
Expired	(31,304,996)	(0.13)
Balance, May 31, 2013	**-**	**$ -**

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 months 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, May 31, 2011	**5,250,000**	**$ 0.33**
Forfeited	(1,150,000)	(0.37)
Balance, May 31, 2012	**4,100,000**	**$ 0.31**
Expired	(1,200,000)	(0.68)
Balance, May 31, 2013	**2,900,000**	**$ 0.15**

The following are the stock options outstanding and exercisable at May 31, 2013:

	Options outstanding			Options exercisable	
Expiry Date	**Number of Options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
June 23, 2014	2,000,000	1.06	$ 0.15	2,000,000	$ 0.15
December 9, 2014	900,000	1.53	0.15	900,000	0.15
	2,900,000	**1.21**	**$ 0.15**	**2,900,000**	**$ 0.15**

(Expressed in Canadian Dollars)

10. Basic and Diluted Loss Per Share

	Years Ended May 31, 2013	2012
Numerator for basic loss per share	**$ (5,256,875)**	$ (248,817)
Numerator for diluted loss per share	**$ (5,256,875)**	$ (248,817)
Denominator for basic loss per share Weighted average number of common shares	**81,163,032**	81,163,032
Denominator for diluted loss per share Weighted average number of common shares	**81,163,032**	81,163,032
Basic loss per share	**$ (0.06)**	$ (0.00)
Diluted loss per share	**$ (0.06)**	$ (0.00)

The effect of outstanding warrants and stock options has not been included in the determination of diluted loss per share for the periods presented 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 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, 2013	May 31, 2012
Canada	$ -	$ 4,461,962
Peru	-	763,819
Total non-current assets	$ -	$ 5,225,781

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

	May 31, 2013	May 31, 2012
Canada	**$ 4,883,745**	$ 218,663
Peru	**373,130**	30,154
Net loss and comprehensive loss	**$ 5,256,875**	$ 248,817

(Expressed in Canadian Dollars)

12. Related Party Transactions

	Notes	Years Ended May 31, 2013	May 31, 2012
Doublewood Consulting Inc.	(i)	**$ 45,000**	$ 112,500
7346034 Canada Corporation	(ii)	**-**	21,000
Marrelli Support Services Inc.	(iii)	**54,819**	47,031
DSA Filing Services	(iv)	**2,920**	300

i) For the year ended May 31, 2013, $45,000 (2012 - $112,500) was paid to the President and CEO of the Company for consulting services. Included in this amount was $nil (2012 - $61,375) capitalized to exploration and evaluation property interests. Included in accounts payable as at May 31, 2013 is $20,000 (2012 - $nil) in relation to consulting services rendered.

ii) For the year ended May 31, 2013, $nil (2012 - $21,000) in consulting fees was paid or accrued to the former Chief Financial Officer or a company controlled by the former Chief Financial Officer.

iii) For the year ended May 31, 2013, $54,819 (2012 - $47,031) 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 and accrued liabilities as at May 31, 2013 is $23,760 (2012 - $2,471) in relation to consulting and professional services rendered.

iv) For the year ended May 31, 2013, $2,920 (2012 - $300) 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, 2013 is $2,857 (2012 - $nil) in relation to filing services rendered.

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, 2013 (2012 - $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. Amounts payable to the related parties as disclosed above, are unsecured, non-interest bearing and are due on demand.

(Expressed in Canadian Dollars)

13. General and Administration Expenses

	Years Ended May 31, 2013	2012
Investor relations, business development and reporting issuer costs	$ **55,519**	$ 73,929
Professional fees	**63,953**	136,334
Management and consulting services	**64,500**	79,625
Office and administration	**21,035**	40,174
	$ **205,007**	$ 330,062

14. Income Taxes

(a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the Federal statutory rate of 26.5% (2012- 27.5%) were as follows:

	Years Ended May 31, 2013	2012
Loss before recovery of income taxes	$ **(5,481,875)**	$ (248,817)
Expected income tax recovery based on statutory rate	**(1,455,000)**	(68,425)
Tax rate changes and other adjustments	**-**	(31,271)
Effect of flow-through renunciation	**-**	166,375
Non-deductible expenses	**3,000**	7,444
Benefit of tax losses not recognized	**1,227,000**	(74,123)
Deferred income tax (recovery)	$ **(225,000)**	$ -

(b) Future deductions available

At May 31, 2013, the Company has accumulated Canadian and Foreign Exploration and Development Expenditures totaling $11,135,000 and accumulated non-capital losses totalling $5,722,000, which are available to reduce taxable income of future years. The Company also had undeducted share issue costs of $36,000 as at May 31, 2013. The accumulated Canadian and Foreign Exploration and Development Expenditures do not expire under current legislation.

Non-capital losses expire as follows:

2026	**$ 1,301,000**
2027	**1,685,000**
2028	**1,760,000**
2031	**566,000**
2032	**410,000**
	$ 5,722,000

(Expressed in Canadian Dollars)

14. Income Taxes (Continued)

(c) Deferred Income Tax Balances

	May 31, 2013	May 31, 2012
Deferred income tax assets		
Non-capital loss carryforwards	**$ 1,519,000**	$ 1,726,000
Share issue costs	**10,000**	14,000
Mineral property costs	**2,950,000**	1,512,000
	4,479,000	3,252,000
Tax benefits not recognized	**(4,479,000)**	(3,252,000)
	$ -	$ -

The Company has additional pools in Peru, which under certain circumstances that can be applied against future income earned in Peru.