Grenville Gold Corp.

Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2011

Expressed in Canadian Dollars

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Grenville Gold Corp.
Interim Consolidated statements of financial position
(Expressed in Canadian dollars – unaudited)

	Notes		Sept 30, 2011		December 31, 2010
ASSETS					
Current assets					
Cash and cash equivalents	4	$	176,780	$	38,678
Prepaid			59,178		22,888
Receivables	5		69,172		85,607
Deferred charges			21,275		-
			326,405		147,173
Non-current assets					
Property, plant and equipment	6		7,211		255
Exploration and evaluation assets	7		4,190,895		4.121,400
			4,198,106		4,121,655
TOTAL ASSETS		**$**	**4,524,512**	**$**	**4,268,828**
LIABILITIES					
Current liabilities					
Trade payables and accrued liabilities	8	S	167,260	$	485,854
Due to related parties	12				67,136
			167,260		522,990
Non-current liabilities					
Deferred tax liabilities			559,715		547,595
					547,595
TOTAL LIABILIITES			**726,975**		**1,100,585**
SHAREHOLDERS' EQUITY					
Share capital	10		7,403,507		7,698,655
Reserves			4,618,555		2,690,253
Deficit			(8,224,525		(7,220,665)
TOTAL EQUITY			**3,797,537**		**3,168,243**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**S**	**4,524,512**	**$**	**4,268,828**

Statement of compliance and conversion to International Financial Reporting Standards (Note 2)

Approved on Behalf of the Board

(Signed) Thomas R. Tough
Thomas R. Tough, Director

(Signed) Jack Bal
Jack Bal, Director

See accompanying notes to the condensed consolidated interim financial statements

Grenville Gold Corp.
Interim Consolidated statements of comprehensive loss
(Expressed in Canadian dollars – unaudited)

	Notes	Three month periods ended		Nine month periods ended	
		Sept 30, 2011	**Sept 30, 2010**	**Sept 30, 2011**	**Sept 30, 2010**
Expenses					
Amortization		$ 642	$ 18	$ 800	$ 1,071
Filing / transfer fees		6,468	2,051	19,406	12,901
Management fees		239,023	83,089	297,126	204,447
Office and misc		4,510	4,789	13,533	3,106
Professional fees		13,944	19,908	41,835	60,037
Rent		7,700		22,500	(4,231)
Stock based comp		-	-	383,400	-
Investor relations		-	2,587		9,683
		272,287	82,442	778,600	287,044
Other items					
Foreign-ex (gain) loss		(1,631)	(24,747)	(1,631)	(10,054)
Debt write-off				-	
		(1,631)	(24,747)	(1,631)	(10,054)
Net gain (loss) for the period		**$ (270,656)**	**$ (57,695)**	**$ (776,969)**	**$ (276,990)**
Total comprehensive loss for the period		**$ (270,656)**	**$ (57,695)**	**$ (776,969)**	**$ (276,990)**
Loss per share – basic and diluted		**$ (0.03)**	**$ (0.01)**	**$ (0.07)**	**$ (0.05)**

See accompanying notes to the condensed consolidated interim financial statements

Grenville Gold Corp.
Interim Consolidated statements of changes in shareholders' equity
(Expressed in Canadian dollars – unaudited)

	Notes	Number of shares	Amount	Stock option reserve	Foreign currency translation reserve	Stock warrant reserve	Deficit	Total
Restated balance at January 1, 2011		**5,570,389**	**$ 7,698,655**	**$ 2,479,256**	**$ -**	**$ 210,997**	**$ (7,220,667)**	**$ 3,168,243**
Comprehensive income:								
Loss for the period		-	-	-	-	-	(776,969)	(776,969)
Other comprehensive income (loss)		-	-	-	-	-	-	-
Total comprehensive loss for the period			-	-	-	-	(776,969)	(776,969)
Transactions with owners, in their capacity as owners, and other transfers:								
Shares issued for cash – private placement		5,050,000	1,340,000	-	-	-	-	1,340,000
Share issue costs		-	(90,245)	-	-	-	-	(90,245)
Warrants issued with private placement		-	(1,755,900)		-	1,755,900	-	
Warrants expired			210,997			(210,997)		
Stock-based compensation		-	-	383,400	-	-	-	383,400
Total transactions with owners and other transfers		5,050,000	(295,148)	383,400	-	1,755,900	-	1,633,155
Balance at Sept 30, 2011		**10,620,239**	**$ 7,403,507**	**$ 2,862,655**	**$ -**	**$ 1,755,900**	**$ (8,224,525)**	**$ 3,797,537**

	Notes	Number of shares	Amount	Stock option reserve	Foreign currency translation reserve	Stock warrant reserve	Deficit	Total
Restated balance at January 1, 2010		**53,365,395**	**$ 7,581,730**	**$ 1,301,435**	**$ -**	**$ 1,388,817**	**$ (7,419,239)**	**$ 2,852,744**
Comprehensive income:								
Loss for the period		-	-	-	-	-	(276,990)	(276,990)
Other comprehensive income (loss)		-	-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	-	(276,990)	(276,990)
Transactions with owners, in their capacity as owners, and other transfers:								
Shares issued for debt		2,338,500	116,925	-	-	-	-	116,925
Warrants expired			263,701			(263,701)		
Total transactions with owners and other transfers		2,338,500	380,626	-	-	(263,701)	(276,990)	393,915
Restated balance at Sept 30, 2010		**55,703,895**	**$ 7,962,359**	**$ 1,301,435**	**$ -**	**$ 1,125,116**	**$ (7,696,035)**	**$ 2,692,875**

See accompanying notes to the condensed consolidated interim financial statements

Grenville Gold Corp.
Interim Consolidated statements of cash flows
(Expressed in Canadian dollars – unaudited)

		Nine month periods ended		
		Sept 30, 2011		Sept 30, 2010
Operating activities				
Loss before income taxes	$	(76,969)	$	(276,990)
Adjustments for non-cash items:				
Amortization		800		1,071
Stock-based compensation		383,400		
Changes in non-cash working capital items:				
Accounts receivable		16,435		(4,574)
Prepaid		(36,290)		5,619
Trade payables and accrued liabilities		(315,805		13,256
Net cash flows from (used in) operating activities		(728,429)		(261,618)
Investing activities				
Expenditures on exploration and evaluation assets		(316,346)		(41,344)
Expenditures on property, plant and equipment		(6,956)		-
Net cash flows from (used in) investing activities		(323,302)		(41,344)
Financing activities				
Proceeds on issuance of common shares – net of share issue costs		1,256,970		
Share issued for debt				116,926
Repayment to related parties		(67,137		174,694
Net cash flows from (used in) financing activities		1,189,833		291,620
Increase (decrease) in cash and cash equivalents		138,102		(11,342)
Cash and cash equivalents, beginning		38,678		14,820
Cash and cash equivalents, ending	**$**	**176,780**	**$**	**3,478**

See accompanying notes to the condensed consolidated interim financial statements

1. Nature and continuance of operations

Grenville Gold Corp. (formerly Grenville Gold Corporation) (the "Company") was incorporated as a private company under the laws of the province of Ontario by articles of incorporation effective November 17, 1994. By articles of amendment effective December 15, 1999, the private company restrictions were deleted from the articles. On June 19, 2009, the Company completed a continuance of business from Ontario to British Columbia. The Company is listed on the TSX Venture Exchange ("TSX-V:GVG"), the Frankfurt Stock Exchange in Germany ("Frankfurt:F9I"), and a pink sheet listing in the United States ("OTCPP:GVLGF").

The head office, principal address and records office of the Company are located at 8338 – 120th Street, Surrey, British Columbia, Canada, V3W 3N4. The Company's registered address is 8338 – 120th Street, Surrey, British Columbia, Canada, V3W 3N4.

These unaudited condensed consolidated interim financial statements have been prepared on the assumption that the Company and its subsidiaries (the "Group") will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2011 the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities in Peru and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with funds raised from the private placement of common shares.

2. Significant accounting policies and basis of preparation

The financial statements were authorized for issue on November 15, 2011 by the directors of the Company.

Statement of compliance and conversion to International Financial Reporting Standards

The consolidated interim financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2010. However, this interim financial report, being the third IFRS financial report, provides selected significant disclosures that are required in the annual financial statements under IFRS. The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS are provided in Note 14.

Basis of preparation

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

2. Significant accounting policies and basis of preparation (cont'd)

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

		Percentage owned*	
	Country of incorporation	**Sept 30, 2011**	**Sept 30, 2010**
Minera Espanola SAC	Peru	100%	100%
Minera Grenville SAC	Peru	100%	100%

*Percentage of voting power is in proportion to ownership.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the determination of the useful lives of property, plant and equipment, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Foreign currency translation

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the subsidiaries of the Group that have operations in Peru is the Nuevo Sol (PNE).

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise.

2. Significant accounting policies and basis of preparation (cont'd)

Foreign currency translation *(cont'd)*

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Group companies:

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of comprehensive income. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Group has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Farms outs

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

2. Significant accounting policies and basis of preparation (cont'd)

Share-based payments

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

Financial instruments

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

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

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

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

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

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

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

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

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments *(cont'd)*

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

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

Impairment of assets

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

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

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

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash and cash equivalents

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

Income taxes

Current income tax:

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

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

2. Significant accounting policies and basis of preparation (cont'd)

Income taxes *(cont'd)*

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Flow-through shares:

Any premium received by the Group on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability") and included in trade payables and accrued liabilities. Upon renouncement by the Group of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Group will reduce the deferred tax liability and record a deferred tax recovery.

Restoration and environmental obligations

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

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

Changes in the net present value, excluding changes in the Group's estimates of reclamation costs, are charged to profit and loss for the period.

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

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

2. Significant accounting policies and basis of preparation (cont'd)

Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalized by recording an asset and a liability at the lower of the fair value of the leased property, plant and equipment or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognized as a liability and amortized on a straight-line basis over the life of the lease term.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

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

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

Depreciation and amortization are calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of property, plant and equipment are as follows:

Class of property, plant and equipment	**Depreciation rate**
Office equipment	30%

3. Accounting standards issued by not yet effective

Amendments to IFRS 7 "Financial Instruments: Disclosures"

This amendment increases the disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment is effective for annual periods beginning on or after July 1, 2011

3. Accounting standards issued by not yet effective

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This new standard is effective for annual periods beginning on or after January 1, 2013.

The Group has not early adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

4. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

	Sept 30, 2011	December 31, 2010
Cash at bank	$ 176,780	$ 38,678
	$ 176,780	$ 38,678

5. Accounts receivable

	Sept 30, 2011	December 31, 2010
Value-added tax receivables	$ 10,166	$ 1,114
Exploration and tax credit receivable	49,012	107,381
Other receivables	69,172	-
	$ 128,350	$ 108,495

6. Property, plant and equipment

	Office equipment		Office equipment
Cost:		**Cost:**	
At December 31, 2010	$ 48,416	At January 1, 2010	$ 48,416
Additions	8,011	Additions	-
Disposals	48,416	Disposals	-
At Sept 30 , 2011	6,430	At December 31, 2010	48,416
Depreciation:		**Depreciation:**	
At December 31, 2010	48,416	At January 1, 2010	47,068
Charge for the period	800	Charge for the period	1,093
Eliminated on disposal	48,416	Eliminated on disposal	-
At Sept 30, 2011	800	At December 31, 2010	48,161
Net book value:		**Net book value:**	
At December 31, 2010	255	At January 1, 2010	1,348
At Sept 30, 2011	**$ 7,211**	**At December 31, 2010**	**$ 255**

7. Exploration and evaluation assets

	Peru			Peru		
	Silveria	Espanola	Total for three month period ended Sept 30, 2011l	Silveria	Espanola	Total for year ended December 31, 2010
Property acquisition costs						
Balance, beginning of period	$ 2,556,950	$ 457,502	$ 3,014,542	$ 2,556,950	$ 457,502	$ 3,014,542
Additions	-	-	-	-	-	-
Proceeds from farm outs	-	-	-	-	-	-
Write-down due to impairment	-	-	-	-	-	-
Balance, end of period	$ 2,556,950	$ 457,502	$ 3,014,542	$ 2,556,950	$ 457,502	$ 3,014,542
Exploration and evaluation costs						
Balance, beginning of period	$ 996,571	$ 110,377	$ 1,106,948	$ 1,453,613	$ 89,874	$ 1,543,487
Costs incurred during period:						
Claim maintenance and lease costs	22,379	21,649	44,028	-	-	-
Drilling and related costs	-	-	-	-	-	-
Field and camp costs	13,098	12,269	25,367	-	-	-
Geological consulting	-	-	-	20,848	20,503	41,351
Project administration	-	-	-	-	-	-
Reclamation and environmental	-	-	-	-	-	-
Travel and accommodation	-	-	-	-	-	-
	1,032,048	144,395	1,176,443	1,474,461	110,377	1,584,838
Recovery of costs during period:						
Exploration tax credits	-	-	-	-	-	-
Proceeds from joint venture	-	-	-	(477,890)	-	(477,890)
	-	-	-	(477,890)	-	(477,890)
Other:						
Exploration tax credits	-	-	-	-	-	-
Increase in restoration and environmental obligation	-	-	-	-	-	-
Sale of exploration and evaluation asset	-	-	-	-	-	-
Write-down due to impairment	-	-	-	-	-	-
	-	-	-	-	-	-
Total	$ 3,588,998	$ 601,897	$ 4,190,895	$ 3,553,521	$ 567,879	$ 4,121,400

7. Exploration and evaluation assets (cont'd)

The following is a description of the Group's exploration and evaluation assets and the related spending commitments:

Silveria property

On January 17, 2007, the Company acquired four mines through its subsidiary, Minera Grenville S.A.C., in the San Mateo Mining District, Province of Huarochiri, Department of Lima, Peru, directly from the Peruvian government agency responsible for mining. The four mines, Pacococha, Millotingo, Silveria and Germania have all been grouped into one property. Additional claims have been purchased and added to this property bringing the total mineral concessions comprising the Silveria property to 6,122 hectares ("Ha").

In January 2009, also through its subsidiary, Minera Grenville S.A.C., the Company purchased all the common shares of Sociedad Minera de Responsabilidad Limitada Bella Rubia ("Bella Rubia"), a Peruvian association of mineral title holder.

On September 16, 2009, the Company entered into a letter of intent ("LOI") with Compania Minera Sunicancha S.A.C. to purchase 100% of 13 claims owned by Minera Sunicancha S.A.C. totaling 1,250 Ha. The purchase price was US$2,000,000. The Company paid US$25,000 upon signing an LOI. The Company had not paid the US$2,000,000 by December 27, 2009, and the US$25,000 payment was written off in 2009.

During the current period, the company made an offer to settle an old invoice from a previous owner with a geological consulting firm and the $57,640 was accepted.

As at Sept 31, 2011, significant work has been carried out on this property and plans are being prepared for further exploration

Espanola/Rosa Maria property

Pursuant to six letters of intent entered into on July 20, 2006, the Company, through its subsidiary, Minera Grenville S.A.C., has acquired a 7,129 Ha parcel of land located 100 kilometers ("km") southeast of the city of Lima, in the province of Canete, Peru.

In February 2009, through its subsidiary Minera Espanola S.A.C., the Company entered into a joint venture agreement with American Silver Compania Minera S.A.C., a Peruvian company, to mine copper on its 400 Ha of its 7,129 Ha Espanola property. Minera Espanola will be paid 7% of American Silver's mining revenue from mining activities on these claims. The joint venture was terminated in November 2009.

During the period ended Sept 30, 2011 the Company performed exploration work on the property.

8. Trade payables and accrued liabilities

	Sept 30, 2011	December 31, 2010
Trade payables	$ 167,260	$ 425,854
Amounts due to related parties (Note 16)		67,136
	$ 167,260	$ 492,990

9. Income tax

At Sept 30, 2011, the Group has the following tax pools available for deduction in future years:

	Canadian non-capital losses
2012	$ 76,770
2026	991,940
2027	1,595,940
2028	751,260
2029	207,204
2030	3,463
	$ 3,626,577

The taxable entities have historically made tax losses, and the existence of future taxable profits cannot be assessed as probable. Accordingly, the future tax benefit of the above noted tax pools have been offset by recognition of a valuation allowance in these financial statements.

10. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At Sept 30, 2011 there were 10,620,239 issued and fully paid common shares (December 31, 2010 – 5,570,389).

Private placements

On January 21, 2011, the Company completed a non-brokered private placement consisting of 4,000,000 units, each unit consisting of one common share at a price of $0.23 and one Common Share purchase warrant exercisable to purchase one additional Common Share at a price of $0.31 for a period of two years from closing of the Private Placement for an aggregate total amount raised of $920,000. A finder's fee of $83,000 was paid in relation to this Private Placement.

On March 25, 2011, the Company completed a second non-brokered private placement consisting of 1,050,000 units, each unit consisting of one common share at a price of $0.40 and one Common Share purchase warrant exercisable to purchase one additional Common Share at a price of $0.47 for a period of three years from closing of the Private Placement for an aggregate total amount raised of $420,000. Units and the warrants were subject to a statutory hold period expiring on June 26, 2011.

10. Share capital (cont'd)

Basic and diluted loss per share

The calculation of basic and diluted income per share for the nine month period ended Sept 30, 2011 was based on the income attributable to common shareholders of $478,252 (December 2010 - $198,572) and the weighted average number of common shares outstanding of 6,832,889 (December 2010 – 5,556,936).

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

The changes in options during the nine month period ended Sept 30, 2011 and the year ended December 31, 2010 are as follows:

	Sept 30, 2011		December 31, 2010	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding, beginning of period	233,000	$ 2.48	343,000	$ 2.80
Options granted	900,000	2.48	-	-
Options exercised	-	-	-	-
Options expired	-	-	(110,000)	4.2
Options forfeited	-	-	-	-
Options outstanding, end of period	1,133,000	$ 2.48	233,000	$ 2.48

Details of options outstanding as at Sept 30, 2011 are as follows:

10. Share capital

Stock options *(cont'd)*

Weighted average exercise price	Weighted average contractual life	Number of options outstanding
$0.50 - $1.00	5.00 years	1.015,000
$3.00 - $4.00	4.57 years	83,000
$5.00 - $6.00	1.41 years	35,000
		1,133,000

The weighted average grant date fair value of options granted during the nine month period ended Sept 30, 2011 was $0.50 (2010 - $01.00). The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	Nine month period ended June 30, 2011	Year ended December 31, 2010
Expected life of options	5 years	5 years
Annualized volatility	153%	127%
Risk-free interest rate	2.65%	0.97%
Dividend rate	0%	0%
Market rate	$ 0.465	-

Warrants

As at Sept, 2011 the Company had outstanding warrants enabling the holders to acquire one common share for each warrant as follows:

Number Of warrants	Exercise Price	Expiry date
4,000,000	0.31	Jan 21, 2013
1,050,000	0.47	Mar 25, 2014
5,050,000		

10. Share capital

Warrants *(cont'd)*

	Sept 30, 2011		December 31, 2010	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Balance at beginning of period	1,002,222	$ 1.00	2,002,222	$ 1.00
Warrants issued	5,050,000	0.47	-	-
Warrants expired	(1,022,22)	(1.00)	(1,000,000)	1.00
Balance outstanding, end of period	5,050,000	$ 0.34	1,002,222	$ 1.00

The warrants issued were valued using the Black-Scholes model with the following assumptions:

Risk free interest – 2.56% and 2.71%, expected life – 2 and 3 years and volatility 173% and market rates of $040 and $0.50.

11. Reserves

Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

Option reserve	
December 31, 2010	$ 2,479,256
Additions	388,737
Sept 30, 2011	$ 2,862,655

Share purchase warrant reserve

The warrant option reserve records items recognized as warrants until such time that they are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to share capital.

Warrant reserve	
December 31, 2010	$ 210,997
Expired	(210,997)
Additions	1,755,900
Sept 30, 2011	$ 1,755,900

12. Related party transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities:

	Sept 30, 2011	December 31, 2010
Companies controlled by directors of the Company	$ -	$ 67,136
	$ -	$ 67,136

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Related party transactions

The Group incurred the following transactions with companies that are controlled by directors of the Company.

	Nine month periods ended	
	Sept 30, 2011	Sept 30, 2010
Professional fees	$ 41,835	$ 151,388
Rent	22,500	-
	$ 64,335	$ 151,388

Key management personnel compensation

	Nine month periods ended	
	Sept 30, 2011	Sept 30, 2010
Professional fees	$ 41,835	$ 151,388
Rent	22,500	-
	$ 64,335	$ 151,388

13. Financial risk management

The Group is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and Peru. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

13. Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group has a planning and budgeting process in place to help determine the funds required to support the Group's normal operating requirements on an ongoing basis. The Group ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Group's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Group's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The following is an analysis of the contractual maturities of the Group's non-derivative financial liabilities as at Sept 30, 2011:

	Within one year	Between one and five years	More than five years
Lease obligations	$ 30,000	-	-
	$ -	$ -	$ -

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Group's Mexican subsidiary is exposed to currency risk as it incurs expenditures that are denominated in Peru Nuevo Solo. The Group does not hedge its exposure to fluctuations in foreign exchange rates.

	Sept 30, 2011	December 31, 2010
Cash and cash equivalents	$	$ 38,678
Accounts receivable	69,172	85,607
Accounts payable	103,602	485,854
	$ 172,774	$ 610,139

Based on the above net exposures, as at Sept 30, 2011, a 10% change in the Peruvian currency would impact the Group's net loss by $17,277.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Group's net loss of $1,767.

Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Group consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to any externally imposed capital requirements.

13. Financial risk management (cont'd)

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	Sept 30, 2011	December 31, 2010
Cash and cash equivalents	$ 176,780	$ 38,678
Loans and receivables:	59,178	-
Other receivables	69,172	85,607
	$ 305,130	$ 124,285

Financial liabilities included in the statement of financial position are as follows:

	Sept 30, 2011	December 31, 2010
Non-derivative financial liabilities:		
Trade payables	$ 167,260	485,854
	$ 167,260	$ 485,854

Fair value

The fair value of the Group's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Group's financial assets measured at fair value as at June 30, 2011 and December 31, 2010:

	As at Sept 30, 2011		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ -	$ 176,780	$ -
Receivables	128,350		
Payables			167,260
	$ 128,350	$ 176,780-	$ 167,260

	As at December 31, 2010		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ -	$ 38,678	$ -
Receivables	85,607		
Payables			485,854
	$ 85,607	$ 38,678	$ 485,854

13. Segmented information

Operating segments

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

Geographic segments

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

	As at Sept 30, 2011		
	Canada	**Peru**	**Total**
Property, plant and equipment	-	7,211	7,211
Exploration and evaluation assets	-	4,190,895	4,190,895
	$ -	$ 4,524,512	$ 4,524,512

	As at Sept 30, 2010		
	Canada	**Peru**	**Total**
Property, plant and equipment	-	255	255
Exploration and evaluation assets	-	4,121,400	4,121,400
	$ -	$ 4,121,655	$ 4,121,655

	As at December 30, 2010		
	Canada	**Peru**	**Total**
Property, plant and equipment	-	287	287
Exploration and evaluation assets	-	4,121,407	4,121,407
	$ -	$ 4,121,694	$ 4,121,694

14. Transition to IFRS

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Group has adopted IFRS in these financial statements, making them the first interim financial statements of the Group under IFRS. The Group previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", January 1, 2010 has been considered to be the date of transition to IFRS by the Group. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

Exemptions applied

The Group has applied the following optional transition exemptions to full retrospective application of IFRS:

- IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before January 1, 2010.
- IAS 21 "The Effects of Changes in Foreign Exchange Rates" has not been applied to cumulative translation differences that existed at the date of transition to IFRS. The Group has eliminated the

cumulative translation difference and adjusted retained earnings by the same amount at the date of transition to IFRS. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

- IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Group has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP.

- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" has been applied prospectively to all provisions for restoration and environmental obligations that are within the scope of International Financial Reporting Interpretations Committee ("IFRIC") "Changes in Existing Decommissioning, Restoration and Similar Liabilities". The Group has:

    - re-measured the liabilities as at January 1, 2010 in accordance with IAS 37;

    - estimated the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rates that would have applied for that liability over the intervening period; and

    - calculate the accumulated depreciation on that amount, as at January 1, 2010, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the entity.

- The Group has applied the transitional provision in IFRIC 4 "Determining whether an Arrangement contains a Lease" and has assessed all arrangements as at January 1, 2010.

The transition to IFRS did not have an impact on the statements of financial position, income and comprehensive income and cash flows of the Company. No adjustments were required upon adoption of IFRS except cumulative surplus and reserves, as was stated in the first quarter.

(1) The Canadian GAAP statement of financial position at June 30, 2010 has been reconciled to IFRS as follows:

	Sept 30, 2010	Effect of transition to IFRS	Sept 30, 2010
ASSETS	CGAAP		IFRS
Current assets			
Cash and cash equivalents	$ 3,478	-	$ 3,478
Prepaid	23,205	-	23,205
Receivables	124,455	-	124,455
	151,138	-	151,138
Non-current assets			
Property, plant and equipment	267	-	267
Exploration and evaluation assets	4,121,400	-	4,121,400
		-	
TOTAL ASSETS	**$ 4,272,805**	-	**$ 4,272,805**
LIABILITIES			
Current liabilities			
Payables and accrued liabilities	615,913	-	615,913
Payable on asset purchase	156,960		156,960
Other deposits	4,303		4,303
Due to related parties	243,038	-	243,038
	1,020,214	-	1,020,214
Non-current liabilities			
Future income tax liability	559,715	-	559,715
		-	
TOTAL LIABILIITES	**1,579,929**	-	**1,579,929**
SHAREHOLDERS' EQUITY			
Share capital	7,962,359	-	7,962,359
Warrants	1,125,116	(1,125,116)	
Contributed surplus	1,301,435	(1,301,435)	
Reserves	-	2,426,551	-
Deficit	(7,696,035)	-	(7,696,035)
TOTAL EQUITY	**2,692,875**	-	**2,692,875**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 4,272,804**	-	**$ 4,272,804**

(2) The Canadian GAAP statement of income (loss) and comprehensive income (loss) for the three and six months ended June 30, 2010 has been reconciled to IFRS as follows:

	3 Months Sept 30, 2010	Effect of IFRS	3 Months Sept 30, 2010	Nine months Sept 30, 2010	Effect Of IFRS	Nine months Sept 30, 2010
	CGAAP		IFRS	CGAAP		IFRS
Expenses						
Amortization	$ 18	-	$ 18	$ 1,071	-	$ 1,071
Filing and transfer fees	2,051	-	2,051	12,901	-	12,901
Management fees	53,089	-	53,089	204,477	-	204,477
Office and miscellaneous	4,789	-	4,789	3,106	-	3,106
Professional fees	19,888	-	19,888	38,929	-	38,929
Rent	-	-	-	(4,231)	-	(4,231)
Stock based compensation	-	-	-		-	
Investor relations	5,193	-	5,193	9,683	-	9,683
	82,442	-	82,442	287,044	-	287,044
Other items						
Foreign-ex (gain) loss	(24,747)	-	(24,747)	(10,054)	-	(10,054)
Debt write-off	-	-	-	-	-	-
	(24,747)	-	(24,747)	(10,054)	-	(10,054)
Net gain (loss) for the period	**$ (57,695)**	-	**$ (57,695)**	$ (276,990)	-	$ (276,990)
Total comprehensive loss for the period	**$ (57,695)**	-	**$ (57,695)**	$ (276,990)	-	$ (276,990)

15. Subsequent Events

- The Annual General Meeting was held on October 7th, 2011.
- The following directors were elected for 2012: Jatinder (Jack) Ball, Sonny Janda, Thomas Tough and Brian Thirston. Mr. Jamie Lewin was appointed CFO.
- Following the AGM, a Directors' Meeting was held:

1) Mr. Thurston gave the meeting a detailed presentation on the state of the work on both Silveria and Espanola.

2) The site Operations Manager's exploration budget for October and November was presented and discussed and authorized at a director's meeting. Approximately 43% of the budget related to expenditures proposed for Espanola and the remaining 57% will be spent at Silveria.