Grenville Gold Corp.

Consolidated Financial Statements

December 31, 2011

(Expressed in Canadian Dollars)

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CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Grenville Gold Corp.

We have audited the accompanying consolidated financial statements of Grenville Gold Corp. which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Grenville Gold Corp. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010, in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

/s/DMCL
DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 30, 2012

Grenville Gold Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note		December 31, 2011		(Restated) December 31, 2010 (Note 13)		(Restated) January 1, 2010 (Note 13)
ASSETS							
Current assets							
Cash		$	62,209	$	38,678	$	14,820
Receivables			4,307		85,607		119,881
Prepaid			25,008		22,888		28,625
			91,524		147,173		163,326
Non-current assets							
Equipment	5		10,236		255		1,348
Exploration and evaluation assets	6		4,329,392		3,703,537		3,662,186
TOTAL ASSETS		$	4,431,152	$	3,850,965	$	3,826,860
LIABILITIES							
Current liabilities							
Trade payables and accrued liabilities	7	$	107,149	$	485,854	$	763,920
Due to related parties	10		-		67,136		68,344
TOTAL LIABILIITES			107,149		552,990		832,264
SHAREHOLDERS' EQUITY							
Share capital	9		8,339,990		7,698,655		7,581,730
Subscriptions receivable			(11,910)		-		-
Reserves			3,808,228		2,690,253		2,690,253
Deficit			(7,812,305)		(7,090,933)		(7,277,387)
TOTAL EQUITY			4,324,003		3,297,975		2,994,596
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	4,431,152	$	3,850,965	$	3,826,860

Nature and continuance of operations (Note 1)
Commitment (Note 14)
Subsequent events (Note 15)

Approved on Behalf of the Board on April 30, 2012:

(Signed) Sonny Janda
Sonny Janda, Director

(Signed) Jack Bal
Jack Bal, Director

The accompanying notes form an integral part of these consolidated financial statements

Grenville Gold Corp.
Consolidated Statements of Comprehensive income (Loss)
Years ended December 31, 2011 and 2010
(Expressed in Canadian dollars)

	Note	December 31, 2011	(Restated) December 31, 2010
			(Note 13)
Expenses			
Amortization	5	$ 1,405	$ 1,093
Consulting		-	21,109
Filing and transfer fees		24,145	25,782
Investor relations		-	9,683
Management fees and administration	10	76,899	117,221
Office and miscellaneous		100,513	20,540
Professional fees		111,936	50,934
Rent	10	30,000	1,369
Stock-based compensation	9	393,147	-
		738,045	247,731
Other items			
Gain on debt settlement	9	-	(415,035)
Mineral property impairment	6	21,934	-
Other income		(2,690)	-
Foreign exchange gain		(35,916)	(19,150)
		(16,672)	(434,155)
Net and comprehensive income (loss) for the year		**(721,372)**	**186,454**
Basic and diluted income (loss) per common share		$ **(0.07)**	$ **0.03**
Weighted average number of common shares outstanding – basic and diluted	9	10,162,449	5,556,936

The accompanying notes form an integral part of these consolidated financial statements

Grenville Gold Corp.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Note	Number of shares	Amount	Subscriptio n receivable	Stock-based payment reserve	Warrants reserve	Deficit	Total
January 1, 2010 (Restated, Note 13)		5,336,539	$ 7,581,730	$ -	$ 2,342,439	$ 347,814	$ (7,277,387)	$ 2,994,59
Net and comprehensive loss		-	-	-	-	-	186,454	186,45
Warrants expired		-	-	-	136,817	(136,817)		
Shares issued for debt settlement	9	233,850	116,925	-	-	-	-	116,92
December 31, 2010 (Restated, Note 13)		5,570,389	7,698,655	-	2,479,256	210,997	(7,090,933)	3,297,975
Net and comprehensive loss							(721,372)	(721,37
Shares issued for cash:								
Private placement at $0.23 per unit	9	4,000,000	920,000	-				920,000
Private placement at $0.40 per unit	9	1,050,000	420,000	-				420,000
Private placement at $0.12 per unit	9	1,000,000	120,000	-				120,000
Share issuance costs	9	-	(198,754)	-	-	104,917	-	(93,83
Subscription receivable		-	-	(11,910)	-		-	(11,910)
Warrants issued with private placement	9	-	(619,911)	-	-	619,911	-	-
Warrants expired		-	-	-	210,997	(210,997)	-	-
Shares cancelled		(15,463)						
Stock-based compensation	9	-	-	-	393,147	-	-	393,14
December 31, 2011		11,604,926	$ 8,339,990	$ (11,910)	$ 3,083,400	$ 724,828	$(7,812,305)	$ 4,324,003

The accompanying notes form an integral part of these consolidated financial statements

Grenville Gold Corp.
Consolidated Statements of Cash Flows
Years ended December 31, 2011 and 2010
(Expressed in Canadian dollars)

		December 31, 2011		December 31, 2010
Operating activities				
Net loss (income) for the year	$	(721,372)	$	186,454
Adjustments for non-cash items:				
Amortization		1,405		1,093
Gain on debt settlement		-		(415,035)
Mineral property impairment		22,211		
Stock-based compensation		393,147		-
Changes in non-cash working capital items:				
Accounts receivable		81,300		24,201
Prepaid		(2,120)		5,737
Trade payables and accrued liabilities		(445,841)		263,967
Net cash flows from (used in) operating activities		(671,270)		66,417
Investing activities				
Expenditures on exploration and evaluation assets		(647,789)		(41,351)
Expenditures on equipment		(11,386)		-
Net cash flows used in investing activities		(659,175)		(41,351)
Financing activities				
Proceeds on issuance of common shares, net of issue costs		1,354,253		-
Repayment to related parties		-		(1,208)
Net cash flows from (used in) financing activities		1,354,253		(1,208)
Increase in cash		23,531		23,858
Cash, beginning of year		38,678		14,820
Cash, end of year	$	62,209	$	38,678
Supplementary information:				
Cash paid for interest expense	$	-	$	-
Cash paid for income tax	$	-	$	-

The accompanying notes form an integral part of these consolidated financial statements

1. Nature and continuance of operations

Grenville Gold Corp. (the “Company”) was incorporated 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”).

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its asset and discharge its liabilities in the normal course of operations. As at December 31, 2011, the Company had not advanced its exploration and evaluation asset 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 exploration activities on its exploration and evaluation asset and its ability to attain profitable operations and generate funds there from and/or raise equity capital to meet current and future obligations. Management intends to finance exploration programs and operations over the next twelve months through private placements of common shares. The availability and timing of equity funding, on terms and conditions acceptable to management, represent material uncertainties to the going concern assumption. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future.

2. Statement of compliance and conversion to IFRS

The financial statements of the Company, including comparatives, have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). IFRS represents standards and interpretations approved by the International Accounting Standards Board (“IASB”), and are comprised of IFRS, International Accounting Standards (“IASs”), and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRICs”) or the former Standing Interpretations Committee (“SICs”). These are the Company’s first IFRS annual financial statements, as previously the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The disclosures concerning this transition from Canadian GAAP to IFRS are provided in Note 13.

Subject to certain transition elections disclosed in Note 13, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Accordingly, the comparative figures for 2010 in these financial statements have been restated to give effect to the change in accounting framework.

3. Significant accounting policies

Basis of measurement

The financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments which are disclosed as measured at fair value.

Consolidation

The Company consolidates all entities under its control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

	Country of domicile	**December 31, 2011***	**December 31, 2010***
Grenville Silveria Ltd.	Canada	100%	100%
Grenville Espanola Holdings Ltd.	Canada	100%	100%
Minera Grenville S.A.C.	Peru	100%	100%
Minera Espanola S.A.C.	Peru	100%	100%

* Represents voting control.

Inter-company balances and transactions are eliminated on consolidation.

Significant accounting judgments and estimates

The preparation of these financial statements requires management to make estimates 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 periods. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 applied prospectively.

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:

3. Significant accounting policies (continued)

Significant accounting judgments and estimates (continued)

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale, or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after acquisition expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income and loss when the new information becomes available.

Other

Other areas where the Company is required to make judgments, estimates and assumptions are the determination of deferred income tax amounts and the assessment of whether deferred tax assets should be recognized, share based transactions and management's assumptions and estimates related to going concern considerations.

Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent company and each of the Company's subsidiaries is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars

On initial recognition, foreign currency transactions are translated into the functional currency at the exchange rate in effect at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction, whereas non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition, are recognized in the statement of comprehensive income (loss) in the period in which they arise. When a gain or loss on a non-monetary items is recognized in other comprehensive income (loss), any exchange component of that gain or loss shall be recognized in other comprehensive income (loss). Conversely, when a gain or loss on a non-monetary items is recognized in the statement of comprehensive loss, any exchange component of that gain or loss is recognized in also recognized in the statement of comprehensive income (loss).

3. Significant accounting policies (continued)

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring the right to explore, 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 Company has obtained the legal rights to explore an area are recognized in profit or loss.

The Company's criterion for testing impairment includes, but is not limited to, when:

i) Exploration rights for a specific area expired or are expected to expire in the near future and these rights are not expected to be renewed;
ii) Substantive expenditures on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
iii) Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area;
iv) Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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.

When an impairment test is performed and, as a result of this test, it is determined that the carrying amount of an exploration and evaluation asset exceeds its recoverable amount, a provision is made for the decline in value and charged against operations in the year.

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

Farms outs

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

3. Significant accounting policies (continued)

Share-based payments

The fair value of share options granted to employees is measured at the grant date and recognized over the vesting period with a corresponding increase in equity. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument 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 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.

Financial instruments

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

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

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

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

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

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

3. Significant accounting policies (continued)

Financial instruments (continued)

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company 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 Company has transferred substantially all risks and rewards of ownership.

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

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

Impairment of assets

The carrying amount of the Company's assets (which include 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 (loss) and comprehensive income (loss).

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

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

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

Cash and cash equivalents

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

3. Significant accounting policies (continued)

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 Company operates and generates taxable income.

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

Deferred income tax:

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.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to 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.

3. Significant accounting policies (continued)

Restoration and environmental obligations (continued)

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

Changes in the net present value, excluding changes in the Company's estimates of 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 Company's accounting policy for exploration and evaluation assets.

Equipment

Equipment IS 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income (loss) and comprehensive income (loss) during the financial period in which they are incurred.

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

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. Equipment is amortized at 30%.

4. Accounting standards issued by not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2012 or later periods.

The following new standards, amendments and interpretations that have not been early adopted in these financial statements, are not expected to have a material effect on the Company's future results and financial position:

- IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
- IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);
- IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13);
- IFRS 12 Disclosure of Interests in Other Entities (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31);
- IFRS 13 Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs);

4. Accounting standards issued by not yet effective (continued)

- IAS 1 Presentation of Financial Statements, (Amendments regarding Presentation of Items of Other Comprehensive Income);
- IAS 19 Employee Benefits (Amended in 2011);
- IAS 27 Separate Financial Statements (Amended in 2011);
- IAS 28 Investments in Associates and Joint Ventures (Amended in 2011); and
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New).

5. Equipment

		Office equipment			Office equipment
Cost:			**Cost:**		
At December 31, 2010	$	48,416	At January 1, 2010	$	48,416
Additions		11,386	Additions		-
Disposals		-	Disposals		-
At December 31 , 2011		59,802	At December 31, 2010		48,416
Accumulated Depreciation:			**Accumulated Depreciation:**		
At December 31, 2010		48,161	At January 1, 2010		47,068
Charge		1,405	Charge		1,093
Eliminated on disposal		-	Eliminated on disposal		-
At December 31, 2011		49,566	At December 31, 2010		48,161
Net book value:			**Net book value:**		
At December 31, 2010		255	At January 1, 2010		1,348
At December 31, 2011	**$**	**10,236**	**At December 31, 2010**	**$**	**255**

6. **Exploration and evaluation assets**

	Silveria	Espanola	Year ended December 31 2011	Silveria	Espanola	Year ended December 31 2010
Acquisition costs						
Balance, beginning of year	$ 1,661,197	$ 457,502	$ 2,118,699	$ 1,661,197	$ 457,502	$ 2,118,699
Additions	10,188	-	10,188	-	-	-
Balance, end of year	$ 1,671,385	$ 457,502	$ 2,128,887	$ 1,661,197	$ 457,502	$ 2,118,699
Exploration and evaluation costs						
Balance, beginning of year	$ 1,474,461	$ 110,377	$ 1,581,838	$ 1,453,613	$ 89,874	$ 1,543,487
Additions	491,203	146,675	637,878	20,848	20,503	41,351
Impairment	(22,211)	-	(22,211)	-	-	-
	1,943,453	257,052	2,197,505	1,474,461	110,377	1,584,838
Balance, end of year	**$ 3,614,838**	**$ 714,554**	**$ 4,329,392**	**$ 3,135,658**	**$ 567,879**	**$ 3,703,537**

6. Exploration and evaluation assets (continued)

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.

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").

During the year, the Peruvian courts nullified the Bella Rubia agreement and the purchase price of the shares of $22,211 which was previously capitalized was impaired. Management has started an appeal process of the court decision and the outcome is uncertain.

Espanola/Rosa Maria property

On July 20, 2006, the Company, through its subsidiary, Minera Grenville S.A.C., has acquired a parcel of land in the Province of Canete, Peru.

7. Trade payables and accrued liabilities

	December 31, 2011	December 31, 2010
Trade payables and accruals	$ 57,813	$ 425,854
Payroll taxes payable	38,245	1,092
	$ 107,149	$ 485,854

8. Income tax and deferred tax assets and liabilities

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
Net income (loss)	$ (721,372)	$ 186,454
Statutory tax rate	26.5%	28.5%
Expected income tax recovery at the statutory tax rate	$ (191,164)	$ 53,139
Non-deductible items and other	98,654	18,585
Benefits of tax losses realized	-	(56,102)
Effect of change in tax rate	9,400	-
Temporary differences not recognized	83,110	(15,623)
Income tax recovery	$ -	$ -

8. Income tax and deferred tax assets and liabilities (continued)

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

	December 31, 2011	December 31, 2010
Non-capital losses available	$ 1,013,213	$ 926,291
Equipment	29,508	28,103
Exploration and evaluation assets	173,189	173,189
Share issuance costs	-	5,217
	$ 1,215,910	$ 1,132,800

The tax pools relating to these deductible temporary differences expire as follows:

	Canadian non-capital losses	Peruvian loss pools
2014	$ 76,771	$ -
2026	991,940	-
2027	1,456,801	-
2028	751,260	-
2029	207,204	-
2030	3,463	-
2031	347,690	-
No expiry	-	139,139
	$ 3,835,129	$ 139,139

9. Share capital

Authorized share capital: An unlimited number of common shares without par value
An unlimited number of preferred shares without par value

On October 7, 2010, the Company received shareholder approval to consolidate its shares on a 10 to 1 basis. All references to common shares, share purchase warrants, stock options, and per share amounts for all periods have been adjusted on a retrospective basis to reflect the common share consolidation.

During the year ended December 31, 2010, the Company issued 233,850 common shares with a fair value of $0.50 per share for settlement of debt and realized a gain on the settlement of $415,035.

On January 21, 2011, the Company completed a private placement of 4,000,000 units at a price of $0.23 per unit for gross proceeds of $920,000. Each unit consists of one common share one purchase warrant exercisable to purchase one additional common share at a price of $0.31 for a period of two years. A fair value of $371,563 was allocated to these warrants. Share issuance costs of $90,387 was paid and 361,000 finders' warrants were issued. The fair value of the finders' warrants is $104,917.

On March 25, 2011, the Company completed a private placement of 1,050,000 units at a price of $0.40 per unit for gross proceeds of $420,000. Each unit consists of one common share and one purchase warrant exercisable to purchase one additional common share at a price of $0.47 for a period of three years. A fair value of $198,229 was allocated to these warrants. Share issuance costs of $2,100 was paid.

9. Share capital (continued)

On December 21, 2011 the Company completed a private placement of 1,000,000 units at a price of $0.12 per unit for gross proceeds of $120,000. Each unit is consists of one common share and one share purchase warrant exercisable to purchase one additional share at $0.16 for a two year period. A fair value of $50,119 was allocated to these warrants. Share issuance costs of $1,350 was paid.

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

	January 21, 2011	March 25, 2011	December 21, 2011
Market price	$0.36	$0.50	$0.15
Risk free interest	1.71%	2.08%	1.18%
Volatility	173%	173%	134%
Fair value	$0.324	$0.438	$0.098

Stock options

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of options. The term of the stock options granted is fixed by the board of directors and is not to exceed five years. The exercise prices of the stock options granted may not be less than the minimum then specified by the rules of the TSX Venture Exchange. Vesting periods are determined by the board of directors.

On April 20, 2011, the Company issued 900,000 options to directors of the Company. The options are exercisable at $0.50 for a period of five years, and were fully vested upon grant. The fair value of the options are $393,147. The fair value of the options was determined using the Black-Scholes pricing model and the following assumptions: estimated volatility of 160%, expected life of 5 years and risk free interest rate of 2.72%.

Option transactions are summarized as follows:

	December 31, 2011		December 31, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	233,000	$ 2.48	343,000	$ 2.80
Granted	900,000	0.50	-	-
Expired	(11,000)	-	(110,000)	4.2
Options outstanding, ending	1,122,000	$ 0.88	233,000	$ 2.48

9. Share capital (continued)

Stock options (continued)

At December 31, 2011, the outstanding and exercisable options as follows:

Number of options	Exercise price	Expiry date
5,000	5.00	January 9, 2012
2,500	5.20	February 15, 2012
14,500	6.00	June 4, 2012
13,000	6.00	August 27, 2012
72,000	3.00	January 14, 2013
45,000	1.00	August 8, 2013
45,000	1.00	December 8, 2013
25,000	1.00	April 20, 2014
900,000	0.50	April 20, 2016
1,122,000		

The weighted average life remaining of options outstanding as at December 31, 2011 is 3.73 years.

Warrants

Warrants transactions are summarized as follows:

	December 31, 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	6,411,000	0.31	-	-
Warrants expired	(1,002,222)	1.00	(1,000,000)	1.00
Balance outstanding, end of period	6,411,000	$ 0.31	1,002,222	$ 1.00

As at December 31, 2011 the Company had outstanding warrants as follows:

Number Of warrants	Exercise Price	Expiry date
4,361,000	0.31	Jan 21, 2013
1,050,000	0.47	Mar 25, 2014
1,000,000	0.16	Dec 21, 2013
6,411,000		

At December 31, 2011, the weighted average life remaining of warrants outstanding is 1.39 years

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10. Related party transactions

During the year ended December 31, 2011, the Company incurred rent expense of $30,000 to a company controlled by a relative of the president of the Company (2010 – $Nil) and accounting fees of $5,715 included in management and administration fees to the Company's Chief Financial Officer (2010 - $Nil).

During the year ended December 31, 2010, the Company incurred expenses of $8,654 for management and administration costs to directors, officers, former officers and a spouse of a former director of the Company.

As at December 31, 2010, there was $nil owing to related parties (December 31,2010 - $67,136; January 1, 2010- $68,344).

These amounts were unsecured, non-interest bearing and had no fixed terms of repayment.

11. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors reviews and monitors the risk management processes. The nature of the risk exposure and management thereof is 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 Company'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. However, 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 valued added taxes. All of the Company's other receivables are current and expected to be recovered.

Liquidity risk

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

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

11. Financial risk management (continued)

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 Company's Peruvian subsidiaries are exposed to currency risk as they incur expenditures that are denominated in United States Dollars and well as the Peruvian Nuevo Sol. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The Canadian dollar equivalent of the Company's current monetary assets and liabilities denominated in the Peruvian Nuevo Sol are as follows:

	December 31, 2011	December 31, 2010
Cash	$ 12,225	$ 38,678
Accounts payable	(83,023)	(485,854)
	$ 70,798	$ 447,176

Based on the above net exposures, as at December 31, 2011, a 10% decrease in the Peruvian currency would impact the Company's net loss by $7,079 (2010 - $44,717).

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 Company is exposed to interest rate risk on cash equivalents that it may hold from time to time as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. At December 31, 2011 and 2010, the Company has no assets subject to interest rate risk.

Capital Management

The Company'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 Company consists of equity, comprising share capital and reserves, net of accumulated deficit.

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

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

11. Financial risk management (continued)

Classification of financial instruments

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

	December 31, 2011	December 31, 2010
Fair value through profit and loss:		
Cash and cash equivalents	$ 62,209	$ 38,678
Loans and receivables:		-
Other receivables	4,307	85,607
	$ 66,516	$ 124,285

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

	December 31, 2011	December 31, 2010
Non-derivative financial liabilities:		
Trade payables	$ 107,149	485,854
	$ 107,149	$ 485,854

Fair value

The fair value of the Company’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.

11. Financial risk management (continued)

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

	As at December 31, 2011		
	Level 1	Level 2	Level 3
Cash	$ 62,209	$ -	$ -
	$ 62,209	$ -	$ -

	As at December 31, 2010		
	Level 1	Level 2	Level 3
Cash	$ 38,678	$ -	$ -
	$ 38,678	$ -	$ -

12. Segmented information

The Company determines its segments by geography. The Company has operations and incurs costs associated with assets in two different geographic locations: Canada and Peru.

The Company's non-current assets are located as follows:

	As at December 31, 2011		
	Canada	Peru	Total
Equipment	-	10,236	10,236
Exploration and evaluation assets	-	4,329,392	4,329,392
	$ -	$ 4,339,628	$ 4,339,628

	As at December 31, 2010		
	Canada	Peru	Total
Equipment	-	255	255
Exploration and evaluation assets	-	3,703,537	3,703,537
	$ -	$ 3,703,792	$ 3,703,792

13. 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 Company has adopted IFRS in these financial statements making them the first annual financial statements prepared using IFRS. The Company 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 Company. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

Exemptions applied

The Company 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.
- 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 Company 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 Company 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
    - calculated 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 Company 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.

13. Transition to IFRS (continued)

Reconciliation of the Statements of Financial Position

	As at December 31, 2010			As at January 1, 2010		
	Canadian GAAP	**Effect of transition**	**IFRS**	**Canadian GAAP**	**Effect of transition**	**IFRS**
ASSETS						
Current assets						
Cash and cash equivalents	$ 38,678	-	$ 38,678	$ 14,820	-	$ 14,820
Prepaid	85,607	-	85,607	119,881	-	119,881
Receivables	22,888	-	22,888	28,625	-	28,625
	147,173	-	147,173	163,326	-	163,326
Non-current assets						
Property, plant and equipment	255	-	255	1,348	-	1,348
Exploration and evaluation assets	4,121,400	(417,863)	3,703,537	4,080,049	(417,863)	3,662,186
TOTAL ASSETS	**$ 4,268,828**	**$ (417,863)**	**$ 3,850,965**	**$ 4,244,723**	**$ (417,863)**	**$ 3,826,860**
LIABILITIES						
Current liabilities						
Payables and accrued liabilities	$ 485,854	-	$ 485,854	$ 763,920	-	$ 763,920
Due to related parties	67,136	-	67,136	68,344	-	68,344
	552,990	-	552,990	**$ 832,264**	-	**$ 832,264**
Non-current liabilities						
Future income tax liability	547,595	(547,595)	-	559,715	(559,715)	-
TOTAL LIABILIITES	**$ 1,100,585**	**$ (547,595)**	**$ 552,990**	**$ 1,391,979**	**$ (559,715)**	**$ 832,264**
SHAREHOLDERS' EQUITY						
Share capital	7,698,655	-	7,698,655	7,581,730		7,581,730
Warrants	210,997	(210,997)	-	347,814	(347,814)	-
Contributed surplus	2,479,256	(2,479,256)	-	2,342,439	(2,342,439)	-
Reserves	-	2,690,253	2,690,253	-	2,690,253	2,690,253
Deficit	(7,220,665)	129,732	(7,090,933)	(7,419,239)	141,852	(7,277,387)
TOTAL EQUITY	**3,168,243**	**129,732**	**3,168,243**	**2,852,744**	**141,832**	**2,994,596**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 4,268,828**	**$ (417,863)**	**$ 4,268,828**	**$ 4,244,723**	**$ (417,863)**	**$ 3,826,860**

13. Transition to IFRS (continued)

Reconciliation of Loss and Comprehensive Loss for the Year Ended December 31, 2010

	Canadian GAAP	Effect of Transition	IFRS
Expenses			
Amortization	$ 1,093	-	$ 1,093
Consulting	21,109		21,109
Filing and transfer fees	25,782	-	25,782
Investor relations	9,683	-	9,683
Management fees	117,221	-	117,221
Office and miscellaneous	20,540	-	20,540
Professional fees	50,934	-	50,934
Rent	1,369	-	1,369
Stock based compensation	-	-	-
	247,731	-	247,731
Other items			
Gain on debt settlement	(415,035)	-	(415,035)
Foreign exchange gain	(31,270)	12,120	(19,150)
	(446,305)	12,120	(434,185)
Net and comprehensive income (loss) for the year	$ 198,574	$ (12,120)	$ 186,454
Earnings per share – Basic and diluted	$ 0.04	$ (0.01)	$ 0.03

13. Transition to IFRS (continued)

Notes to reconciliations

Functional and presentation currency

The Company has determined that the functional currency of the entities is the Canadian dollar and the presentation currency of the parent Company (the reporting entity) is the Canadian dollar. IFRS requires that functional currency be determined in accordance with primary and secondary indicators in International Accounting Standards 21 "The Effects of Changes in Foreign Exchange Rates". In determining the functional currency, various factors were considered including the following: the functional currency of the parent company, Grenville Gold Corp. in Canada is the Canadian dollar; the parent Company operates in Canada and the Canadian dollar is the currency in which funds from financing activities are generated by the parent Company which raises funding for the activities of the Company and its foreign subsidiaries; all activities of the foreign subsidiaries are carried out as an extension of the reporting entity (the parent Company) under the exclusive direction and control of the parent Company; the parent Company provides all the funding for the activities of its foreign subsidiaries which are in the exploration stage and do not have any properties in production and therefore do not generate any revenue from operations to fund their own activities. Based on these factors, it was determined that the functional currency of the Company's entities is the Canadian dollar.

The Company has determined that no adjustment was required to the balances reported in its Canadian GAAP financial statements upon the transition to IFRS on account of the functional and presentation currencies.

Share-based payments

The Company may, from time to time, grant stock options that have a graded vesting schedule. Under Canadian GAAP, the Company accounted for grants of options with graded vesting as a single award and determined the fair value using the average life of the options granted. Stock-based compensation was recognized on a straight-line basis over the total vesting period. Under IFRS, the Company treats each installment as its own award. Therefore, each installment is measured and recognized separately.

13. Transition to IFRS (continued)

Notes to reconciliations (continued)

Reserves

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified as reserves. The share-based payment reserve records the fair value of options and warrants recorded in accordance with IFRS 2 "Share-Based Payments" until such time that the stock options or warrants are exercised at which time the corresponding amount will be transferred to share capital.

Deferred income taxes

Certain exploration costs have been incurred by Grenville Gold Corp. in connection with the previous acquisition of its Peruvian assets. For Canadian tax purposes, these costs have no tax basis in Peru. The addition of these exploration costs constitutes an asset acquisition where the book value exceeds the tax basis of the assets acquired. Under Canadian GAAP, a future income tax liability amount was recognized to reflect the excess of the accounting value over the basis of these costs. Under IFRS these allocated costs do not trigger the recognition criteria for deferred income tax purposes. Therefore, there is an IFRS adjustment to de-recognize the deferred income tax liability relating to those allocated costs, with a corresponding adjustment to the carrying value of the exploration and evaluation assets.

14. Commitment

Claim fees of $44,717 for the Silveria and Espanola properties are due in July 2012. If these fees are not paid, the Company may lose the right to perform exploration activities on these properties.

15. Subsequent Events

In February 2012 the Company closed a private placement of 4,500,000 units at a price of $0.10 per unit for gross proceeds of $450,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.13 per share for a placement two year period.

In March 2012, the Company entered into an agreement to acquire two exploration and evaluation assets in Peru from a related party. The acquisition price of $131,000 was paid in March 2012.