# Grenville Gold Corp.

## Condensed Interim Consolidated Financial Statements

## For the Three and Nine Months Ended September 30, 2014 and 2013

## (Unaudited - 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 accomplished by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Stands for the preparation of the condensed interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

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

Grenville Gold Corp.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

| | Notes | | September 30, 2014 | | December 31, 2013 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash | | $ | 2,561 | $ | 36,844 |
| Receivables | | | 2,000 | | 9,925 |
| Prepaid expenses | | | 23,050 | | 2,716 |
| | | | 27,611 | | 49,485 |
| Non-current assets | | | | | |
| Equipment | 5 | | 1,686 | | 1,934 |
| Exploration and evaluation assets | 6 | | 2,179,998 | | 2,123,807 |
| **TOTAL ASSETS** | | $ | 2,209,295 | $ | 2,175,226 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade payables and accrued | 7 | $ | 124,924 | $ | 97,403 |
| Short term loans – related parties | | | 124,675 | | - |
| **TOTAL LIABILITIES** | | | 249,599 | | 97,403 |
| **SHAREHOLDERS' EQUITY** | | | | | |
| Share capital | 8 | | 8,943,819 | | 8,943,819 |
| Reserves | 8 | | 4,104,399 | | 4,104,399 |
| Deficit | | | (11,088,520) | | (10,970,395) |
| TOTAL EQUITY | | | 1,959,696 | | 2,077,823 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | $ | 2,209,295 | $ | 2,175,226 |

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

Nature and continuance of operations (Note 1)
Statement of compliance (Note 1)

Approved on Behalf of the Board on November 26, 2014

***"Sonny Janda"*** ***"Jack Bal"***

Sonny Janda, Director Jack Bal, Director

Grenville Gold Corp.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited - Expressed in Canadian dollars)

| | | The Three Months Ended | | The Nine Months Ended | |
|---|---|---|---|---|---|
| | | **September 30, 2014** | **September 30, 2013** | **September 30, 2014** | **September 30, 2013** |
| | | **$** | **$** | **$** | **$** |
| **Expenses** | | | | | |
| Amortization | 9 | - | 223 | 375 | 1,102 |
| Filing and transfer fees | | 7,269 | 4,4,847 | 13,140 | 18,156 |
| Foreign exchange | | - | 4,024 | 982 | 4,174 |
| Management | | - | 8,000 | - | 8,000 |
| Office and general | | 6,776 | 22,701 | 70,714 | 49,607 |
| Professional fees | 9 | 1,110 | 17,341 | 9,914 | 60,791 |
| Rent | | 8,000 | 7,500 | 23,000 | 22,500 |
| | | 23,155 | 64,636 | 118,125 | 164,329 |
| **Other items** | | | | | |
| Gain on debt settlement | | - | - | - | (20,000) |
| Exploration and evaluation asset impairment | 6 | - | - | - | 43,703 |
| **Net comprehensive income (loss)** | | (23,155) | (64,636) | (118,125) | (188,032) |
| **Basic and diluted income (loss) per common share** | | (0.00) | (0.00) | (0.01) | (0.01) |
| **Weighted average number of common shares outstanding – basic and diluted** | | 25,534,376 | 16,221,570 | 25,534,376 | 16,221,570 |

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

Grenville Gold Corp.
Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
(Unaudited - Expressed in Canadian dollars)

| | Share Capital | | Reserves | | | |
|---|---|---|---|---|---|---|
| | **Number of shares** | **Amount** | **Option reserve** | **Warrant reserve** | **Deficit** | **Total** |
| **Balance at December 31, 2012** | **16,104,926** | **8,604,625** | **2,872,403** | **1,121,190** | **(8,791,843)** | **3,806,375** |
| Net and comprehensive (loss): | | - | - | - | (188,032) | (188,032) |
| Private placement | 6,000,00 | 249,883 | | 50,117 | | 300,000 |
| **Balance at September 30, 2013** | **22,104,926** | **$ 8,854,508** | **$ 2,872,403** | **$ 1,171,307** | **(8,979,875)** | **3,918,343** |
| | | | | | | |
| **Balance at December 31, 2013** | **25,104,926** | **$ 8,869,305** | **$ 2,872,403** | **$ 1,231,996** | **$ (10,970,395)** | **$ 2,077,823** |
| Net and comprehensive (loss): | | - | - | - | (118,125) | (118,125) |
| **Balance at September 30, 2014** | **25,104,926** | **$ 8,869,305** | **$ 2,872,403** | **$ 1,231,190** | **(11,088,520)** | **1,959,696** |

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

Grenville Gold Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

| | The Three Months Ended | | The Nine Months Ended | |
|---|---|---|---|---|
| | **September 30, 2014** | **September 30, 2013** | **September 30, 2014** | **September 30, 2013** |
| **Operating activities** | $ | $ | $ | $ |
| Net loss (income) for the year | (23,155) | (64,635) | (118,125) | (188,032) |
| Adjustments for non-cash items: | | | | |
| Amortization | - | 209 | 375 | 1,102 |
| Asset impairment | - | - | - | 43,703 |
| Gain on debt settlement | - | - | - | 20,000 |
| Changes in non-cash working capital items: | | | | |
| Receivables | (1,336) | 7,522 | 7,925 | (2,507) |
| Prepaid expenses | - | (1,248) | (20,334) | (18,639) |
| Trade payables and accrued liabilities | (845) | 7,328 | 27,392 | (11,764) |
| Due to related parties | - | - | 124,675 | (30,000) |
| **Net cash flows used in** | (25,336) | (50,824) | 21,908 | (186,137) |
| **Investing activities** | | | | |
| Expenditures on exploration and evaluation assets | - | (76,037) | (56,191) | (106,093) |
| **Net cash flows used in investing activities** | - | (76,037) | (56,191) | (106,093) |
| **Financing activities** | | | | |
| Proceeds on issuance of common shares | - | - | - | 300,000 |
| Subscription received | - | 100,000 | - | - |
| **Net cash flows from** | - | 100,000 | - | 300,000 |
| Change in cash | (25,336) | (26,861) | (34,283) | 7,770 |
| Cash, beginning | 27,897 | 121,907 | 36,844 | 87,276 |
| **Cash, ending** | **2,561** | **95,046** | **2,561** | **95,046** |

The accompanying notes form an integral part of these condensed interim 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").

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

These condensed interim consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries 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. As at September 30, 2014, 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 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. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

## 2. Statement of compliance

These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as were applied in our most recent audited annual financial statements for the year ended December 31, 2013.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements do not include all of the information required of a full annual financial report and are 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 Company since the end of the last annual reporting period. It is therefore recommended that these condensed interim financial statements be read in conjunction with the most recent audited annual financial statements of the Company for the year ended December 31, 2013

## 3. Significant accounting policies

The financial statements were authorized for issue on November 26, 2014 by the directors of the Company.

***Basis of measurement***

The condensed interim consolidated financial statements of the Company 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.

***Consolidation***

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

(Unaudited - Expressed in Canadian dollars)

**3. Significant accounting policies (continued)**

| | | Percentage owned | |
|---|---|---|---|
| | Country of Incorporation | September 30, 2014 | December 31, 2013 |
| 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% |
| Upper Canyon Minerals Peru S.A.C. | Peru | 100% | 100% |

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

***Significant estimates and assumptions***

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

***Significant judgments***

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- The determination of whether an acquisition constitutes a business combination or an acquisition of assets;
- the classification /allocation of expenditures as exploration and evaluation expenditures or operating expenses; and
- the determination of the functional currency of the parent company and its subsidiaries.

***Loss per share***

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

***Impairment of assets***

The carrying amount of the Company's assets (which include 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

**3. Significant accounting policies (continued)**

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 comprehensive 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 pretax 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.

***Income taxes***

<u>Current income tax:</u>
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 loss or equity is recognized in other comprehensive 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.

<u>Deferred income tax:</u>
Deferred income tax is provided using the asset and liability 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.

***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 comprehensive 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 the statement of comprehensive loss.

(Unaudited - Expressed in Canadian dollars)

## 4. Accounting standards issued but not yet applied

IAS 32 – Offsetting Financial Assets and Liabilities: effective January 1, 2014
This is an amendment to IAS 32 to clarify certain requirements for offsetting financial assets and liabilities as well as the meaning and application of the concepts of legally enforceable right of set-off and simultaneous realization and settlement.

IFRIC 21 – Levies: effective January 1, 2014
IFRIC 21 addresses the recognition requirements for a liability, other than income tax, to pay a levy imposed by a government. The interpretation requires liability recognition when an event, identified by legislation, triggers an obligation to pay.

IFRS 9 - Financial Instruments: effective January 1, 2015

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The proposed effective date of IFRS 9 is January 1, 2018.

The Company has not early adopted these standards and is currently assessing the impact that these standards will have on its consolidated financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## 5. Equipment

| | | **Total** |
|---|---|---|
| **Cost:** | | |
| At December 31, 2012 | $ | 53,882 |
| Additions | | - |
| Disposals | | - |
| At December 31, 2013 and Sept. 30, 2014 | $ | 53,882 |
| **Amortization:** | | |
| At December 31, 2012 | $ | 50,361 |
| Charge for the year | | 1,587 |
| At December 31, 2013 | | 51,948 |
| Charge for the year | | 248 |
| At **September** 30, 2014 | $ | 52,196 |
| **Net book value:** | | |
| At December 31, 2013 | $ | 1,934 |
| At **September** 30, 2014 | $ | 1,686 |

(Unaudited - Expressed in Canadian dollars)

## 6. Exploration and evaluation assets

| | Balance, December 31, 2012 | Additions (Impairment) | Balance, December 31, 2013 | Additions (Impairment) | Balance, Sept. 30, 2014 |
|---|---|---|---|---|---|
| **Silveria** | | | | | |
| Acquisition | $ 1,671,385 | $ - | $ 1,671,385 | $ - | $ 1,671,385 |
| Exploration costs | 1,994,121 | 16,826 | 2,010,947 | 9,864 | 2,020,811 |
| Impairment | (761,564) | (2,000,000) | (2,761,564) | - | (2,761,564) |
| | 2,903,942 | (1,983,174) | 920,768 | - | 930,632 |
| **Espanola** | | | | | |
| Acquisition | 457,502 | - | 457,502 | - | 457,502 |
| Exploration costs | 304,423 | 281,652 | 586,075 | 38,409 | 624,484 |
| | 761,925 | 281,652 | 1,043,577 | - | 1,081,986 |
| **Josefina** | | | | | |
| Acquisition | 86,663 | - | 86,663 | - | 86,663 |
| Exploration costs | 18,376 | 618 | 18,994 | - | 18,994 |
| | 105,039 | 618 | 105,657 | - | 105,657 |
| **Silver Mountain** | | | | | |
| Acquisition | 39,631 | - | 39,631 | - | 39,631 |
| Exploration costs | 7,156 | 7,018 | 14,174 | 7,918 | 22,092 |
| | 46,787 | 7,018 | 53,805 | - | 61,723 |
| **Total** | $ 3,817,693 | $ (1,693,886) | $ 2,123,807 | $56,191 | $ 2,179,998 |

During the nine month period ended September 30, 2014 the Company renewed mining licences for the three companies that hold the claims in Peru and spent a total of $56,191.

***Silveria property***
The Company owns 100% of the Silveria property which consists of 195 claims in the San Mateo Mining District in the Province of Huarochiri, Peru.

During the year ended December 31, 2013, management determined that the carrying value of the property exceeded its fair value and recorded an impairment charge of $2,000,000.

***Espanola property***
The Company owns 100% of the Espanola property which consists of 17 claims in the San Mateo Mining District in the Province of Canete, Peru.

***Josephina and Silver Mountain Properties***
On March 2, 2012 the Company entered into an agreement with Lucky Minerals Inc. ("Lucky Minerals"), a Company with a director and an officer in common, to acquire all issued and outstanding shares of Upper Canyon Minerals Peru S.A.C. ("UCM"), a wholly owned subsidiary of Lucky Minerals, for $131,000. UCM owns a 100% interest in the Josefina and Silver Mountain concessions which consists 14 claims located in the Huarochiri Province of Lima, Peru.

## 7. Trade payables and accrued liabilities

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Trade payables | $ 106,424 | $ 78,903 |
| Accrued liabilities | 18,500 | 18,500 |
| Short term loans from related parties | 124,675 | |
| | $ 249,599 | $ 97,403 |

(Unaudited - Expressed in Canadian dollars)

## 8. Share capital

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

On November 20, 2013, the Company closed a non-brokered private of 3,000,000 units at a price of $0.05 per unit for gross proceeds of $150,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.05 to purchase one additional common share for a two year period. A fair value of $60,689 was allocated to these warrants.

On June 26, 2013, the Company closed a non-brokered private placement of 6,000,000 units at a price of $0.05 per unit for gross proceeds of $300,000. Each unit is comprised of one common share and one share purchase warrant to purchase one common share at $0.06 for the first year, and at $0.08 for the second year. A fair value of $50,117 was allocated to these warrants.

On January 4, 2012, the Company completed a private placement of 4,500,000 units at a price of $0.10 per for gross proceeds of $450,000. Each unit consists of one common share and one share purchase warrant exercisable to purchase one additional common share at $0.13 for a two year period. A fair value of $185,365 was allocated to these warrants. $11,910 of the subscriptions were received during the year ended December 31, 2012.

The fair value of the warrants issued was estimated using the Black-Scholes option pricing model with the following assumptions:

| | November 20, 2013 | June 26, 2013 | January 4, 2012 |
|---|---|---|---|
| Expected life | 2 years | 2 years | 2 years |
| Risk free interest | 1.73% | 1.84% | 1.04% |
| Volatility | 179% | 112% | 133% |
| Dividend yield | 0% | 0% | 0% |

### *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-V. Vesting periods are determined by the board of directors.

Option transactions are summarized as follows:

| | September 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Options outstanding, beginning | 925,000 | $ 0.50 | 1,087,000 | $ 0.72 |
| Granted | - | - | - | - |
| Expired | (25,000) | - | (162,000) | - |
| Options outstanding, ending | 900,000 | $ 0.50 | 925,000 | $ 0.51 |

(Unaudited - Expressed in Canadian dollars)

**Share capital (continued)** ***Stock options (continued)***

At September 30, 2014, the outstanding and exercisable options as follows:

| Number of options | Exercise price | | Expiry date |
|---|---|---|---|
| 900,000 | $ | 0.50 | April 20, 2016 |
| 900,000 | | | |

The weighted average life remaining of options outstanding as at September 30, 2014 is 1.58 years.

***Warrants***

Warrants transactions are summarized as follows:

| | September 30, 2014 | | | December 31, 2012 | | |
|---|---|---|---|---|---|---|
| | Number of warrants | Weighted average exercise price | | Number of warrants | Weighted average exercise price | |
| Balance at beginning | 14,550,000 | $ | 0.11 | 10,911,000 | $ | 0.24 |
| Warrants issued | - | | | 9,000,000 | | 0.06 |
| Warrants expired | (5,550,000) | | - | (5,361,000) | | - |
| Balance outstanding, ending | 9,000,000 | $ | 0.056 | 14,550,000 | $ | 0.11 |

As at September 30, 2014 the Company had outstanding warrants as follows:

| Number of warrants | Exercise price | | Expiry date |
|---|---|---|---|
| 6,000,000 | $ | 0.06 | June 26, 2015 |
| 3,000,000 | $ | 0.05 | November 20, 2015 |
| 9,000,000 | | | |

At September 30, 2014, the weighted average life remaining of warrants outstanding is .92 years.

**Reserves**

***Stock option reserve***

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

***Warrant reserve***

The warrant reserve records the fair value of warrants issued until such time that they are exercised, at which time the corresponding amount will be transferred to share capital.

## 9. Related party transactions

During the 9 months ended September 30, 2014, the Company incurred rent expense of $23,000 (September 30, 2013 – $22,500) to a company controlled by a relative of the CEO of the Company, Lucky Janda and accounting fees of $3,690 (September 30, 2013 - $4,155) to the Company’s Chief Financial Officer, Jamie Lewin.

## 10. Income taxes

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 | 113,417 | - |
| 2032 | 150,741 | - |
| 2033 | 66,807 | - |
| No expiry | - | 2,445,946 |
| | $ 3,818,404 | $ 2,445,946 |

## 11. Financial risk management and capital 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 GST receivable. This risk is minimal as the receivable is from the government of Canada.

***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.

***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 subsidiary is exposed to currency risk as it incurs expenditures that are denominated in US dollars and the Peruvian Soles and its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

***Interest Rate Risk***
Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not have material financial assets or liabilities that are exposed to fluctuation of interest rate. As a result, the exposure to interest rate risk is not significant.

(Unaudited - Expressed in Canadian dollars)

**11. Financial risk management and capital management (continued)**

***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 share and working capital.

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.

***Classification of financial instruments***

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

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Cash | $ 2,561 | $ 36,844 |

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

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Non-derivative financial liabilities: | | |
| Payables & accrued liabilities | $124,924 | $ 97,403 |
| Short Term Loans [1] | 124,675 | - |
| | $ 249,599 | $ 97,403 |

[1]On June 25th, the Company arranged for short term bridge financing with an unrelated, non-financial lender in the principal amount of CAD$119,675 bearing interest at a rate of 4% per annum. The Loan is repayable in full December 24, 2014.The balance is a short term loan from Orofino Minerals Inc.

***Fair value***

The fair value of the Company’s financial assets and liabilities approximates their 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.

**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 September 30, 2014 | | |
|---|---|---|---|
| | Canada | Peru | Total |
| Equipment | $ - | $ 1,686 | $ 1,686 |
| Exploration and evaluation assets | - | 2,179,998 | 2,215,981 |
| | $ - | $ 2,181,684 | $ 2,217,667 |

(Unaudited - Expressed in Canadian dollars)

| | As at December 31, 2013 | | |
|---|---|---|---|
| | Canada | Peru | Total |
| Equipment | $ - | $ 1,934 | $ 1,934 |
| Exploration and evaluation assets | - | 2,123,807 | 2,123,807 |
| | $ - | $ 2,125,741 | $ 2,125,741 |

## 13. Segmented information

- October 9, 2014 GRENVILLE GOLD CORP. announced that a consolidation of its share capital on the ratio of one new for five old shares has now been approved by the TSX Venture Exchange.

  Grenville Gold's shares will commence trading on a consolidated basis on October 10, 2014 at market opening under a new CUSIP number: 39771A201. The company's name will not change nor will its trading symbol of "GVG".

  5,020,985 common shares of the Company will be issued and outstanding following the completion of the consolidation.

- November 20, 2014, GRENVILLE GOLD CORP. announced that its non-brokered financing is now closed to further subscribers. The Company has raised a total of $600,000.00 through the sale of 12,000,000 units at $0.05 per unit, each unit being comprised of one common share in the equity of the Company and one share purchase warrant (the "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of $0.06 CAD per Share for a period of one year. The Warrants include a provision accelerating the expiry date to 30 days, following a mandatory regulatory hold of 4 months and one day, in the event the Company's shares trade on the TSX Venture Exchange for 10 consecutive trading days at or above $0.10 CAD per share and the Company announces the accelerated exercise period.

  The proceeds of this financing will be used for working capital purposes. There will not be any finder's fees or commissions paid in respect of this financing. Securities issued as a result of this financing will be subject to a statutory hold period. This financing is subject to approval by the exchange.