GROSVENOR

RESOURCE CORPORATION

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

August 31, 2017

KPMG LLP
Chartered Professional Accountants
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Grosvenor Resource Corporation

We have audited the accompanying financial statements of Grosvenor Resource Corporation, which comprise the statement of financial position as at August 31, 2017, the statements of income and comprehensive net income (loss), cash flows and changes in shareholders' equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grosvenor Resource Corporation as at August 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Comparative information

The financial statements of Grosvenor Resource Corporation as at and for the year ended August 31, 2016 were audited by another auditor who expressed an unmodified audit opinion on those financial statements on November 15, 2016.

KPMG LLP

Chartered Professional Accountants

November 15, 2017
Vancouver, Canada

GROSVENOR RESOURCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS AT AUGUST 31,
(Expressed in Canadian Dollars)

	2017	2016
ASSETS		
Current		
Cash and equivalents	$ 1,519,190	$ 1,278,248
Marketable securities (Note 4)	1,250,280	1,304,640
Short-term investments	276,037	555,866
Receivables	19,122	12,421
Prepaid expenses	5,042	5,042
	3,069,671	3,156,217
Exploration and evaluation asset (Note 5)	446,548	426,695
	$ 3,516,219	$ 3,582,912
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 6)	$ 24,177	$ 16,802
Shareholders' equity		
Capital stock (Note 7(a))	10,091,249	10,091,249
Reserves (Note 7)	1,752,843	1,752,843
Accumulated other comprehensive income	898,571	945,864
Deficit	(9,250,621)	(9,223,846)
	3,492,042	3,566,110
	$ 3,516,219	$ 3,582,912

Nature of operations (Note 1)

Approved by the Board of Directors:

"Ian Rozier"	Director	"Douglas Scheving"	Director
Ian Rozier		Douglas Scheving	

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

GROSVENOR RESOURCE CORPORATION
STATEMENTS OF INCOME AND COMPREHENSIVE NET INCOME (LOSS)
YEAR ENDED AUGUST 31,
(Expressed in Canadian Dollars)

	2017	2016
EXPENSES		
Consulting fees	$ 68,000	$ 50,000
Directors' fees	36,000	24,000
Management fees	42,000	-
Office and miscellaneous	19,807	9,347
Professional fees	90,400	72,031
Property investigation fees	-	8,620
Rent	30,000	22,000
Shareholder communications	4,941	2,428
Transfer agent and filing fees	18,196	21,381
Travel and related	3,945	-
	(313,289)	(209,807)
OTHER ITEMS		
Dividend income (Note 4)	271,800	543,600
Interest income	21,781	17,328
	293,581	560,928
Income (loss) before taxes	(19,708)	351,121
Deferred tax expense (Note 11)	(7,067)	(42,401)
Income (loss) for the year	(26,775)	308,720
OTHER COMPREHENSIVE LOSS		
Unrealized loss on marketable securities, net of tax (Note 4)	(47,293)	(283,759)
Comprehensive net income (loss) for the year	$ (74,068)	$ 24,961
Earnings (loss) per common share:		
Basic	$ (0.00)	$ 0.01
Diluted	$ (0.00)	$ 0.01
Weighted average number of common shares outstanding:		
Basic	26,850,694	26,850,694
Diluted	26,850,694	26,850,694

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

GROSVENOR RESOURCE CORPORATION
STATEMENTS OF CASH FLOWS
YEAR ENDED AUGUST 31,
(Expressed in Canadian Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the year	$ (26,775)	$ 308,720
Items not affecting cash:		
Deferred tax expense	7,067	42,401
Interest income	(21,781)	(17,328)
Change in non-cash working capital items:		
Decrease (increase) in receivables	(6,490)	304
Increase in prepaid expenses	-	(5,042)
Increase (decrease) in accounts payable and accrued liabilities	7,375	(19,569)
Interest received	21,570	8,082
Cash provided by (used in) operating activities	(19,034)	317,568
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation asset, net	(19,853)	(157,807)
Proceeds from short-term investments	279,829	-
Cash provided by (used in) investing activities	259,976	(157,807)
Change in cash and equivalents during the year	240,942	159,761
Cash and equivalents, beginning of year	1,278,248	1,118,487
Cash and equivalents, end of year	$ 1,519,190	$ 1,278,248

	2017	2016
Cash and equivalents consists of:		
Cash	$ 83,622	$ 58,534
Guaranteed Investment Certificates and Mutual Funds	1,435,568	1,219,714
	$ 1,519,190	$ 1,278,248

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

GROSVENOR RESOURCE CORPORATION
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Capital Stock					
	Number	Amount	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance at August 31, 2015	26,850,694	$ 10,091,249	$ 1,752,843	$ 1,229,623	$ (9,532,566)	$ 3,541,149
Income for the year	-	-	-	-	308,720	308,720
Unrealized loss on marketable securities, net of tax	-	-	-	(283,759)	-	(283,759)
Balance at August 31, 2016	26,850,694	10,091,249	1,752,843	945,864	(9,223,846)	3,566,110
Loss for the year	-	-	-	-	(26,775)	(26,775)
Unrealized loss on marketable securities, net of tax	-	-	-	(47,293)	-	(47,293)
Balance at August 31, 2017	26,850,694	$ 10,091,249	$ 1,752,843	$ 898,571	$ (9,250,621)	$ 3,492,042

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

1. NATURE OF OPERATIONS

Grosvenor Resource Corporation (the “Company”) was incorporated on January 6, 2004 under the laws of the Province of Ontario and was granted certification of continuation by the Province of British Columbia and is considered to be in the exploration stage with respect to its evaluation and exploration asset. Based on the information available to date, the Company has not yet determined whether its exploration and evaluation asset contains ore reserves. Recoverability of the carrying amount of the exploration and evaluation asset is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The Company’s head office and principal address is 501 – 837 West Hastings Street, Vancouver, British Columbia, Canada, V6C 3N6. The Company’s registered and records office is 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

During the year ended August 31, 2016, the Company completed a 4 old for 1 new share consolidation. All common shares, loss per share and weighted average number of shares outstanding have been retroactively restated for the share consolidation.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. To date, the Company has financed its operations primarily through issuance of common shares. The Company currently has cash and equivalents, marketable securities and short term investments totalling $3,045,507 and net working capital of $3,045,494 which, the Company believes, is sufficient to fund it current business plans in the foreseeable future. In the longer term, additional equity or debt financing may be necessary to fund exploration and general and administrative activities or mine development.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on November 15, 2017 by the directors of the Company.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS`) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). They have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit and loss, which are stated at their fair value. These financial statements are presented in Canadian dollars unless otherwise noted.

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined to be the Canadian dollar for the Company. Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in a currency other than the Canadian dollar are translated at the exchange rate at the reporting date, while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of net income and comprehensive net income in the year in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Critical accounting estimates, judgments and assumption

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, 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 the following:

i) The carrying value and the recoverability of its exploration and evaluation asset, which is included in the statements of financial position. The Company capitalizes exploration and evaluation expenditures. At every reporting period, management assesses the potential impairment of the exploration and evaluation asset which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount. Such assessment requires judgement and estimates with respect to mineral resources, metal prices, capital and operating costs and considers management's plans with respect to an area of interest. Changes in these assumptions and judgements could result in an impairment of the carrying value of the exploration and evaluation asset.

Cash and equivalents

Cash and equivalents consist of cash, mutual funds, and guaranteed investment certificates with original maturity dates of less than ninety days or that are fully redeemable without penalty or loss of interest.

Short-term investments

Short-term investments include Canadian guaranteed investment certificates with a major Canadian Banking Institution with original maturity dates greater than ninety days. These investments are recognized at fair value on each balance sheet date.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Expenditures incurred before the Company has obtained the legal rights to explore an area are recognized in the statement of net income and comprehensive net income.

Subsequent to the acquisition of the legal rights to explore, exploration and evaluation expenditures are capitalized. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Share-based payments

The Company has a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods based on the number of options that are expected to vest. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding credit amount is recorded as a reserve in shareholders' equity. The fair value of options is determined using a Black–Scholes pricing model. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. When the options are exercised, the applicable amounts included in reserves are transferred to capital stock.

Income per share

Basic income per share is calculated by dividing the income attributable to common shareholders by the weighted average number of common shares outstanding in the year. For all periods presented, the income attributable to common shareholders equals the reported income attributable to owners of the Company. In calculating the diluted income per share, the weighted average number of common shares outstanding 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 year.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of net income and comprehensive net income. Short term investments are classified as fair value through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Cash and equivalents, and receivables are classified as loans and receivables.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Financial instruments (cont'd)

Financial assets (cont'd)

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of net income and comprehensive net income. The Company does not currently have instruments classified as held to maturity.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of net income and comprehensive net income. The Company's marketable securities are classified as available-for-sale.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of net income and comprehensive net income. The Company does not currently have liabilities classified as fair value through profit or loss.

Other financial liabilities: This category includes accounts payables and accrued liabilities, all of which are recognized at amortized cost.

Financial instruments measures at fair value are classified into one of the 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.

See Note 10 for relevant disclosures.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Impairment of non-financial assets

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

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. A reversal of an impairment loss is recognized immediately in the statement of net income and comprehensive net income.

Income taxes

<u>Current income tax:</u>

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

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

Deferred 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 at the end of the reporting period.

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

3. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

The Company has not adopted any material new or revised standards during the year ended August 31, 2017.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended August 31, 2017, and have not been applied in preparing these financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which will supersede IAS 18 – Revenue and related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning on September 1, 2018.

IFRS 9 – Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. The Corporation intends to adopt IFRS 9 in its financial statements for the annual period beginning on September 1, 2018.

IFRS 16 – Leases

On January 13, 2016 the IASB issued IFRS 16 – Leases, which will supersede IAS 17 – Leases. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on September 1, 2019.

The extent of the impact of adoption of these standards has not yet been determined.

4. MARKETABLE SECURITIES

The Company holds 5,436,000 (2016 – 5,436,000) common shares of Newport Exploration Ltd. ("Newport"). The Company received these shares as partial consideration from the sale of the Chu Chua Property. The Company recorded these shares at a fair value of $217,440 upon receipt during the year ended August 31, 2014. As at August 31, 2017, the fair value of the common shares held was $1,250,280 (2016 - $1,304,640) which resulted in an unrealized loss on marketable securities, net of tax, of $47,293 (2016 – $283,759). During the year ended August 31, 2017, the Company received a cash dividend of $271,800 (2016 - $543,600), which represents a dividend of $0.05 (2016 - $0.10) per common share of its Newport shares.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSET

Mineral Hill

In fiscal 2014, the Company acquired a 50% interest in the Mineral Hill gold-silver property ("Mineral Hill"), located in southwestern British Columbia, from Remington Resources Inc. ("Remington"). During the year ended August 31, 2016, the Company purchased the remaining 50% interest in Mineral Hill from Remington. The property is subject to a 1% NSR.

Year Ended August 31, 2017	Mineral Hill
Acquisition costs	
Balance, beginning and end of year	$ 400,000
Exploration costs	
Balance, beginning of year	26,695
Claim maintenance	26,485
Recovery	(6,632)
	19,853
Balance, end of year	46,548
Total, end of year	$ 446,548

Year Ended August 31, 2016	Mineral Hill
Acquisition costs	
Balance, beginning of year	$ 250,000
Additions	150,000
Balance, end year	400,000
Exploration costs	
Balance, beginning of year	20,646
Assays	284
Claim maintenance	500
Geological consulting	5,800
Mapping	625
Travel	1,432
Recovery	(2,592)
	6,049
Balance, end of year	26,695
Total, end of year	$ 426,695

(Expressed in Canadian Dollars)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2017	August 31, 2016
Trade payables	$ 1,027	$ 152
Due to related parties (Note 8)	6,000	4,000
Accrued liabilities	17,150	12,650
Total	$ 24,177	$ 16,802

The average credit period of purchases is one month. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

7. CAPITAL STOCK AND RESERVES

a) Authorized share capital

As at August 31, 2017, the authorized share capital of the Company is an unlimited number of common shares without par value.

During the year ended August 31, 2016, the Company completed a 4-old for 1-new share consolidation. All common shares and per share figures have been retroactively restated to reflect the consolidation.

b) Stock options:

The Company has an incentive stock option plan (the "Plan") in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. Under the Plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

As at August 31, 2016 and 2017, the Company had no outstanding stock options.

c) Warrants:

As at August 31, 2016 and 2017, the Company had no outstanding share purchase warrants.

8. RELATED PARTY TRANSACTIONS

Payments to key management personnel, consisting of the Chief Executive Officer ("CEO), Chief Financial Officer ("CFO") and members of the board of directors, for compensation are as follows:

	August 31, 2017	August 31, 2016
Management fees	$ 42,000	$ -
Consulting fees	-	50,000
Professional fees	68,000	46,000
Directors fees	36,000	24,000

In addition, during the year ended July 31, 2017, the Company paid rent of $30,000 (2016 - $22,000) to a company controlled by a director of the Company.

As at August 31, 2017, accounts payable and accrued liabilities included $6,000 (2016 - $4,000) owing to directors of the Company.

9. SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of resource assets. The Company's mineral property is held in Canada.

10. FINANCIAL AND CAPITAL RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, receivables and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. The fair value of short term investments was $276,037 at August 31, 2017 (2016 -$555,866), a level 1 fair value measurement.

Financial risk factors

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

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and equivalents, marketable securities, short-term investments and receivables, the carrying value totalling $3,064,629, represents the Company's maximum exposure to credit risk. Management believes that the credit risk concentration with respect to financial instruments is remote because cash and equivalents and short-term investments are held with reputable Canadian financial institutions. Receivables consist mainly of GST and interest. The Company does not consider any of its current receivables past due. The Company believes any credit risk associated with its receivables is remote due to the historical success of collecting receivables.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at August 31, 2017, the Company had a cash and equivalents balance of $1,519,190 (2016 - $1,278,248), marketable securities of $1,250,280 (2016 - $1,304,640) and short-term investments of $276,037 (2016 - $555,866) to settle current liabilities of $24,177 (2016 - $16,802). All of the Company's financial liabilities are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

a) Interest rate risk

The Company has cash and equivalents balances and short-term investments. The Company's current policy is to invest excess cash in investment-grade short-term deposits certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The effect on net income and comprehensive net income of a 1% change in interest rates is approximately $2,700.

10. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd)

Financial risk factors (cont'd)

Market risk (cont'd)

b) Price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Capital management

Grosvenor's objectives when managing capital is to pursue the exploration and evaluation of its mineral property, possibly acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

Grosvenor manages the capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company monitors its expenditures against its available capital.

The Company is currently not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

(Expressed in Canadian Dollars)

11. INCOME TAXES

A reconciliation of income taxes at statutory rate of 26% (2016 – 26%) with the reported taxes is as follows:

	2017	2016
Income (loss) before taxes	$ (19,708)	$ 351,121
Expected income tax expense (recovery)	$ (5,124)	$ 91,599
Other items	(71,809)	(140,198)
Change in deferred tax assets not recognized	84,000	91,000
Deferred tax expense	$ 7,067	$ 42,401

The significant components of the Company's recognized deferred tax assets are as follows:

	2017	2016
Deferred tax assets (liabilities):		
Non-capital losses available for future periods	$ 134,000	$ 141,000
Marketable securities	(134,000)	(141,000)
Deferred tax assets recognized	$ -	$ -

The Company also has the following deferred tax assets that are not recognized:

	2017	2016
Deferred tax assets (liabilities):		
Non-capital losses available for future periods	$ 505,000	$ 421,000
Exploration and evaluation assets	468,000	468,000
Deferred tax assets not recognized	$ 973,000	$ 889,000

The Company has the following deductible temporary differences and unused tax losses that are available to reduce future taxable income:

	2017	Expiry Dates	2016
Non-capital losses	$ 2,457,000	2028-2038	$ 2,161,538
Exploration and evaluation assets	$ 1,777,000	Not Applicable	$ 1,777,000