GROSVENOR

RESOURCE CORPORATION

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

August 31, 2018

KPMG LLP
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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, 2018 and August 31, 2017, the statements of net income and other comprehensive income, cash flows and changes in shareholders' equity for the years 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 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 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, 2018 and August 31, 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

November 8, 2018
Vancouver, Canada

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

	2018	2017
ASSETS		
Current		
Cash and equivalents	$ 760,510	$ 1,519,190
Short-term investments	589,858	276,037
Marketable securities (Note 4)	1,685,160	1,250,280
Receivables	11,930	19,122
Prepaid expenses	5,042	5,042
	3,052,500	3,069,671
Exploration and evaluation asset (Note 5)	19,738	446,548
	$ 3,072,238	$ 3,516,219
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 6)	$ 26,936	$ 24,177
Shareholders' equity		
Capital stock (Note 7(a))	10,099,749	10,091,249
Reserves (Note 7(c))	2,083,737	1,752,843
Accumulated other comprehensive income	1,276,917	898,571
Deficit	(10,415,101)	(9,250,621)
	3,045,302	3,492,042
	$ 3,072,238	$ 3,516,219

Nature of operations (Note 1)
Subsequent event (Note 4)
Commitments (Note 11)

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 LOSS AND COMPREHENSIVE LOSS
YEAR ENDED AUGUST 31,
(Expressed in Canadian Dollars)

	2018	2017
EXPENSES		
Consulting fees	$ 80,000	$ 68,000
Directors' fees	36,000	36,000
Management fees	88,000	42,000
Office and miscellaneous	18,735	19,807
Professional fees	110,365	90,400
Property investigation fees	86,410	-
Rent	30,000	30,000
Share-based payments (Note 7(c))	330,894	-
Shareholder communications	2,712	4,941
Transfer agent and filing fees	14,609	18,196
Travel and related	1,981	3,945
	(799,706)	(313,289)
OTHER ITEMS		
Dividend income (Note 4)	-	271,800
Interest income	25,740	21,781
Write-off of exploration and evaluation asset (Note 5)	(447,048)	-
	(421,308)	293,581
Loss before taxes	(1,221,014)	(19,708)
Deferred tax recovery (expense) (Note 12)	56,534	(7,067)
Loss for the year	(1,164,480)	(26,775)
OTHER COMPREHENSIVE LOSS		
Unrealized gain (loss) on marketable securities, net of tax (Note 4)	378,346	(47,293)
Comprehensive loss for the year	$ (786,134)	$ (74,068)
Basic and diluted loss per common share	$ (0.04)	$ (0.00)
Weighted average number of common shares outstanding	26,864,530	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)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (1,164,480)	$ (26,775)
Items not affecting cash:		
Deferred tax (recovery) expense	(56,534)	7,067
Interest income	(25,740)	(21,781)
Share-based payments	330,894	-
Write-off exploration and evaluation asset	447,048	-
Change in non-cash working capital items:		
Increase in receivables	(1,054)	(6,490)
Increase in accounts payable and accrued liabilities	2,759	7,375
Interest received	32,357	21,570
Cash used in operating activities	(434,750)	(19,034)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation asset, net	(11,738)	(19,853)
Short-term investment (purchases) proceeds	(312,192)	279,829
Cash provided by (used in) investing activities	(323,930)	259,976
Change in cash and equivalents during the year	(758,680)	240,942
Cash and equivalents, beginning of year	1,519,190	1,278,248
Cash and equivalents, end of year	$ 760,510	$ 1,519,190

Cash and equivalents consists of:		
Cash	$ 103,254	$ 83,622
Guaranteed Investment Certificates and Mutual Funds	657,256	1,435,568
	$ 760,510	$ 1,519,190

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, 2016	26,850,694	$	10,091,249	$	1,752,843	$	1,945,864	$	(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
Loss for the year	-		-		-		-		(1,164,480)		(1,164,480)
Shares issued for exploration asset	50,000		8,500		-		-		-		8,500
Share-based payments	-		-		330,894		-		-		330,894
Unrealized gain on marketable securities, net of tax	-		-		-		378,346		-		378,346
Balance at August 31, 2018	26,900,694	$	10,099,749	$	2,083,737	$	1,276,917	$	(10,415,101)	$	3,045,302

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.

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 $3,035,528 and net working capital of $3,025,564 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 8, 2018 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 and available for sale, 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 net loss 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 assets, which are 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 net loss.

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 (loss) per share

Basic income (loss) per share is calculated by dividing the income (loss) by the weighted average number of common shares outstanding in the year. In calculating the diluted income (loss) 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 net loss. 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 net loss. 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 net loss. 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 net loss. 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 net loss.

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 net loss.

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. Deferred income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity.

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, 2018.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended August 31, 2018, 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. 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 will adopt IFRS 15 in its financial statements for the annual period beginning on September 1, 2018. Adoption of IFRS 15 will not impact the financial statements.

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 will adopt IFRS 9 in its financial statements for the annual period beginning on September 1, 2018. The Company has completed an analysis of IFRS 9 and, other than re-designating financial instruments in accordance with IFRS 9 and additional disclosure requirements, adoption of IFRS 9 is not expect to have an impact on the financial statements.

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 this standard has not yet been determined.

4. MARKETABLE SECURITIES

The Company holds 5,436,000 (2017 – 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, 2018, the fair value of the common shares held was $1,685,160 (2017 - $1,250,280) which resulted in an unrealized gain on marketable securities, net of tax, of $378,346 for the year ended August 31 2018 (2017 – $47,293 loss). During the year ended August 31, 2017, the Company received a cash dividend of $271,800, which represents a dividend of $0.05 per Newport common share. Subsequent to August 31, 2018, the Company received a cash dividend of $271,800, which represents a dividend of $0.05 per Newport common share.

(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. During the year ended August 31, 2018, the Company chose not to continue exploring the Mineral Hill property and let its exploration rights laps. Accordingly, the Company recognized an impairment charge of $447,048.

Powder

During the year ended August 31, 2018, the Company acquired a 100% interest in the Powder gold-silver property ("Powder") for consideration of $7,500 in cash and the issuance of 50,000 common shares (valued at $8,500). The property is subject to a 1% NSR.

	2018			2017
	Mineral Hill	Powder	Total	Mineral Hill
Acquisition costs				
Balance, beginning of period	$ 400,000	$ -	$ 400,000	$ 400,000
Additions	-	16,000	16,000	-
Impairment	(400,000)	-	(400,000)	-
Balance, end of period	-	16,000	16,000	400,000
Exploration costs				
Balance, beginning of period	46,548	-	46,548	26,695
Claim maintenance	500	3,738	4,238	26,485
Recovery	-	-	-	(6,632)
Impairment	(47,048)	-	(47,048)	-
Balance, end of period	-	3,738	3,738	46,548
Total, end of period	$ -	$ 19,738	$ 19,738	$ 446,548

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trade payables	$ 4,736	$ 1,027
Due to related parties (Note 8)	6,000	6,000
Accrued liabilities	16,200	17,150
Total	$ 26,936	$ 24,177

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 these agreed credit terms.

(Expressed in Canadian Dollars)

7. CAPITAL STOCK AND RESERVES

a) Authorized share capital

As at August 31, 2018, the authorized share capital of the Company is an unlimited number of common shares without par value.

During the year ended August 31, 2018, the Company issued 50,000 common shares, valued at $0.17 per share, pursuant to the acquisition of the Powder property.

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.

Details of options outstanding as at August 31, 2018 are as follows:

Number of Options	Exercise Price	Expiry Date
2,650,000	$0.17	May 29, 2023

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, August 31, 2016 and 2017	-	$	-
Granted	2,650,000		0.17
Balance, August 31, 2018	2,650,000	$	0.17
Number of options exercisable	2,650,000	$	0.17

(Expressed in Canadian Dollars)

7. CAPITAL STOCK AND RESERVES (cont'd)

c) Share-based payments

During the year ended August 31, 2018, the Company granted 2,650,000 stock options to directors, officers and a consultant of the company, with a grant date fair value of $0.12 per option resulting in share-based payments expense of $330,894.

The fair value method of these options was determined using the Black-Scholes option pricing model. The following assumptions were used to calculate the fair value of the stock options granted during the year ended August 31, 2018:

	2018
Risk-free interest rate	2.11%
Expected life of options	5 years
Annualized volatility	96.63%
Dividend rate	0%
Forfeiture rate	0%

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:

		2018		2017
Management fees	$	88,000	$	42,000
Professional fees		72,000		68,000
Directors fees		36,000		36,000
Share-based payments		264,090		-

In addition, during the year ended August 31, 2018, the Company paid rent of $30,000 (2017 - $30,000) to a company controlled by a director of the Company.

As at August 31, 2018, accounts payable and accrued liabilities included $6,000 (2017 - $6,000) 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 exploration and evaluation assets are located 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 and equivalents, 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 and marketable securities was $589,858 at August 31, 2018 (2017 - $276,037), which are level 1 fair value measurements.

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

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, short-term investments and receivables, the carrying value totalling $1,362,298, 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 low 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, 2018, the Company had a cash and equivalents balance of $760,510, marketable securities of $1,685,160 and short-term investments of $589,858 to settle current liabilities of $26,936. 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 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 loss of a 1% change in interest rates is approximately $5,900.

b) Equity risk

   The Company is exposed to equity risk with respect to the market price of its Newport shares. A change in market price will impact the value of its Newport shareholdings and have an impact on other comprehensive income and working capital. The effect on net less of a 1% change in market price is approximately $16,900.

(Expressed in Canadian Dollars)

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

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.

11. COMMITMENTS

Grosvenor has management and consulting contracts with a company controlled by Ian Rozier, a director and Chief Executive Office, and a company controlled by Tyler Friesen, Chief Financial Officer. The companies are paid a combined total of $14,000 per month and the contracts remain in force on a continuous basis but can be terminated by Grosvenor with three months written notice. If Grosvenor terminates services of either or both companies, Grosvenor will be obligated to pay 36 months of service fees to the company controlled by Ian Rozier, and 12 months of service fees to the company controlled by Tyler Friesen.

Effective January 1, 2018, the Company entered into a consulting contract with Prospect Point Consulting Services to provide corporate consulting services for Grosvenor at $7,000 per month. The contract remains in force on a continuous basis but can be terminated by Grosvenor with three months written notice. If Grosvenor terminates the services of the company, Grosvenor will be obligated to pay 24 months services fees to the company.

Effective January 1, 2018, the Company entered into an agreement with WHB Consulting Services to provide property investigation services for Grosvenor at US$8,000 per month, for 12 months.

12. INCOME TAXES

A reconciliation of income taxes at statutory rate of 26.7% (2017 – 26%) with the reported taxes is as follows:

	2018	2017
Loss before taxes	$ (1,221,013)	$ (19,708)
Expected income tax recovery	$ (324,789)	$ (5,124)
Change in statutory rate	(16,401)	-
Other items	66,657	(71,809)
Change in deferred tax assets not recognized	218,000	84,000
Deferred tax expense (recovery)	$ (56,534)	$ 7,067

(Expressed in Canadian Dollars)

12. INCOME TAXES (cont'd)

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

	2018	2017
Deferred tax assets (liabilities):		
Non-capital losses available for future periods	$ 198,000	$ 134,000
Marketable securities	(198,000)	(134,000)
Deferred tax assets recognized	$ -	$ -

The Company has the following deductible temporary differences and unused tax losses that are available to reduce future taxable income for which no deferred tax assets have been recognized as it is not currently probable that the benefits of these temporary differences and unused tax losses will be realized:

	2018	Expiry Dates	2017
Non-capital losses	$ 2,900,000	2028-2038	$ 2,457,000
Exploration and evaluation assets	$ 2,222,000	Not Applicable	$ 1,777,000