

Consolidated financial statements of

Grenville Gold Corporation

(a development stage company)

March 31, 2008 and 2007

(Expressed in Canadian dollars)

Grenville Gold Corporation

(a development stage company)

March 31, 2008 and 2007

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

"A. Paul Gill"

A. Paul Gill
Director

Grenville Gold Corporation

(a development stage company)

Consolidated statements of operations and comprehensive net loss

(Expressed in Canadian dollars)

	Three months ended March 31, 2008	Three months ended March 31, 2007
	\$	\$
Expenses		
Stock-based compensation (Note 9)	388,899	21,838
Investor relations	106,611	216,732
Professional fees	72,402	62,609
Management and administration	66,444	54,281
Office and miscellaneous	58,205	13,031
Filing, transfer agent and reporting fees	19,297	8,372
Consulting	9,504	67,028
Occupancy cost	5,574	4,740
Amortization	999	90
Travel and entertainment	-	45,581
Foreign exchange (gain) loss	132,505	665
	860,440	494,966
Loss before the undernoted	(860,440)	(494,966)
Interest income	-	3,800
Non-controlling interest	-	-
Net loss and comprehensive net loss	(860,440)	(491,166)
Basic and diluted loss per share (Note 2)	(0.03)	(0.02)
Weighted average number of common shares outstanding, basic and diluted	31,311,418	21,705,349

Grenville Gold Corporation
(a development stage company)
Consolidated statements of shareholders' equity
(Expressed in Canadian dollars)

	Number of shares	Amount	Warrants	Share capital to be issued	Contributed surplus	Accumulated deficit	Total
		\$	\$	\$	\$	\$	\$
Balance, October 31, 2005							
Exercise of options	8,164,382	394,569	-	-	-	(372,712)	21,857
Exercise of warrants	530,000	91,000	-	-	-	-	91,000
Issued for debt settlement	806,667	195,000	-	-	-	-	195,000
May 2006 private placement	2,575,000	220,000	-	-	-	-	220,000
August 2006 private placement	1,500,000	300,000	-	-	-	-	300,000
Share issue costs	2,100,130	483,030	-	-	-	-	483,030
Return of paid-up capital	-	(75,264)	-	-	-	-	(75,264)
Transfer to share capital on exercise of stock options	-	(30,725)	-	-	(126,557)	-	-
Stock-based compensation	-	126,557	-	-	155,629	-	155,629
Net loss and comprehensive net loss	-	-	-	-	-	(994,631)	(994,631)
Balance, October 31, 2006	15,676,179	1,704,167	-	-	29,072	(1,367,343)	365,896
Exercise of options	814,278	279,189	-	-	-	-	279,189
Exercise of warrants	3,940,130	1,325,081	-	-	-	-	1,325,081
November 2006 flow-through private placement	147,059	30,240	19,760	-	-	-	50,000
December 2006 private placement	5,500,000	653,041	446,959	-	-	-	1,100,000
June 2007 private placement	3,071,200	1,304,953	537,767	-	-	-	1,842,720
Share issue costs	-	(216,932)	-	-	-	-	(216,932)
Share capital to be issued	-	-	-	812,490	-	-	812,490
Issue of shares for finder's fees and property	727,166	217,100	-	-	-	-	217,100
Transfer to share capital on exercise of stock options	-	242,452	-	-	(242,452)	-	-
Stock-based compensation	-	-	-	-	985,755	-	985,755
Non-controlling interest	-	-	-	-	-	-	-
Issue of warrants for finder's fees	-	-	-	-	3,075	-	3,075
Net loss and comprehensive net loss	-	-	-	-	-	(3,319,011)	(3,319,011)
Balance, October 31, 2007	29,876,012	5,539,291	1,004,485	812,490	775,450	(4,686,354)	3,445,362
Exercise of options	40,000	10,000	-	-	-	-	10,000
Share capital to be issued	-	-	-	100,650	-	-	100,650
Transfer to share capital on exercise of stock options	-	-	-	-	(13,632)	-	-
Stock-based compensation	-	13,632	-	-	13,149	-	26,781
Net loss and comprehensive net loss	-	-	-	-	-	(144,395)	(144,395)
Balance, December 31, 2007	29,916,012	5,562,923	1,004,485	913,140	774,967	(4,830,749)	3,424,766
Exercise of warrants	335,500	100,650	-	(100,650)	-	-	-
February 2008 private placement	1,733,333	520,000	-	-	-	-	520,000
Stock-based compensation	-	-	-	-	388,899	-	388,899
Net loss and comprehensive net loss	-	-	-	-	-	(860,440)	(860,440)
Balance, March 31, 2008	31,984,845	6,183,573	1,004,485	812,490	1,163,866	(5,691,189)	3,473,225

Grenville Gold Corporation

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Consolidated balance sheets

(Expressed in Canadian dollars)

	March 31, 2008	December 31, 2007
	\$	\$
Assets		
Current assets		
Cash	151,835	63,895
Sundry receivables	109,692	72,434
Prepaid expenses	69,181	78,629
Deferred charges	-	98,619
	330,709	313,577
Equipment and machinery (Note 4)	40,844	36,989
Advances on mineral properties (Note 5)	2	2
Mineral properties (Note 6)	4,343,911	4,223,275
	4,715,465	4,573,843
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	356,148	201,664
Accounts payable on asset purchase	156,960	156,960
Other deposits (Note 7)	200,000	200,000
Due to related parties (Note 8)	6,402	67,721
	719,510	626,345
Future income tax liability	509,429	509,429
Non-controlling interest	13,302	13,302
	1,242,241	1,149,076
Shareholders' equity		
Share capital (Note 9)	6,183,573	5,562,923
Share capital to be issued	812,490	913,140
Warrants (Note 9)	1,004,485	1,004,486
Contributed surplus	1,163,866	774,967
Accumulated deficit	(5,691,189)	(4,830,749)
	3,473,225	3,424,767
	4,715,465	4,573,843

Nature of operations and going concern (Note 1)

Approved on behalf of the Board

(Signed) Paul Gill

Paul Gill, Director

(Signed) Mel Rokosh

Mel Rokosh, Director

Grenville Gold Corporation

(a development stage company)

Consolidated statements of cash flows

(Expressed in Canadian dollars)

	Three months ended March 31, 2008	Three months ended March 31, 2007
	\$	\$
Operating activities		
Net loss for the period	(860,440)	(491,166)
Items not involving cash		
Stock-based compensation	388,899	21,838
Amortization	999	90
Write-down of mineral properties	-	-
Change in non-cash working capital		
Sundry receivables and deferred chg	61,361	10,841
Prepaid expenses	9,448	(14,747)
Accounts payable and accrued liabilities	154,484	27,642
	(245,249)	(445,502)
Investing activities		
Other deposits (Note 7)	-	-
Purchase of equipment and machinery	(4,854)	(6,010)
Mineral properties	(120,636)	(363,473)
Advances on mineral properties	-	-
	(125,491)	(369,483)
Financing activities		
Due to related parties	(61,319)	1,262
Share Capital receivable	-	45,350
Issue of share capital	620,650	206,166
Share issue costs	-	-
Share subscriptions received in advance	(100,650)	-
	458,681	252,779
Net cash (outflow) inflow	87,941	(562,207)
Cash, beginning of period	63,895	651,929
Cash, end of period	151,835	89,722

Grenville Gold Corporation

(a development stage company)

Notes to the consolidated financial statements

March 31, 2008 and 2007

(Expressed in Canadian dollars)

1. Nature of operations and going concern

(a) Nature of operations

The Company was incorporated as a private company under the laws of the province of Ontario by articles of incorporation effective November 17, 1994. By articles of amendment effective December 15, 1999, the private company restrictions were deleted from the articles. The Company is listed on the TSX Venture Exchange ("TSX-V:GVG"), the Frankfurt Stock Exchange in Germany ("Frankfurt:F9I"), and is traded on the Over The Counter Bulletin Board in the United States ("OTCBB:GVLGF").

The Company's principal business activities include acquiring and developing mineral resource properties. The Company is primarily engaged in exploration of a group of properties in Peru. The Company has not determined whether these mining properties contain ore reserves that are economically recoverable. To date the Company has not generated revenues from its operations. The recoverability of amounts recorded for mineral exploration properties and deferred exploration cost is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these reserves and upon attaining future profitable production from the properties.

(b) Going concern

The financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and/or generate continued financial support in the form of share issuances. Management is of the opinion that sufficient working capital will be obtained from public share offerings to meet the Company's liabilities and commitments as they come due. These financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

	March 31, 2008	December 31, 2007
	\$	\$
Working capital	(388,802)	(312,768)
Deficit	5,691,189	4,830,749

Grenville Gold Corporation

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Notes to the consolidated financial statements

March 31, 2008 and 2007

(Expressed in Canadian dollars)

2. Significant accounting policies

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company, its two-thirds owned Parkman Diamond Corporation ("Parkman"), a company incorporated under the laws of Ontario; wholly-owned subsidiaries, Grenville Silveria Ltd. and Grenville Espanola Holdings Ltd., both incorporated under the laws of British Columbia; a wholly-owned subsidiary, Minera Minegrenville ("Minegrenville"), a company incorporated under the laws of Ecuador; and Minera Grenville S.A.C. (formerly Inversiones Mineras Alexander S.A.C.) ("Minera"), a company incorporated under the laws of Peru. Significant intercompany balances and transactions have been eliminated upon consolidation.

When the Company effectively controls a subsidiary, but does not own all of the common shares, the non-controlling interest in the net book value of the subsidiary is disclosed in the consolidated balance sheets separately from shareholders' equity. The non-controlling interest in the subsidiary's net income is disclosed, net of income taxes, as a separate line item in the consolidated statements of operations and comprehensive net loss.

The purchase method has been used to account for the acquisition and the results of operations of businesses acquired are included only from the effective date of the respective acquisition.

The Company applies consolidation principles to those entities that are subject to control on a basis other than voting interests. A variable interest entity ("VIE") is defined as any legal structure not controlled by voting equity, but rather by contractual or other financial arrangements. Where the Company is considered the primary beneficiary of a VIE, consolidation is required.

(b) Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollar equivalents using the temporal method whereby all monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Income and expenses are translated at rates approximating those at the transaction dates. Gains and losses are recognized in the statement of operations.

(c) Mineral properties

The Company capitalizes mineral property acquisition costs on a property-by-property basis. Exploration expenditures and option payments incurred prior to the determination of the feasibility of mining operations and the decision to commence development are charged to operations as incurred. Pre-development costs incurred prior to a development decision are charged to operations as incurred.

Development expenditures incurred subsequent to a development decision, to increase production, or to extend the life of existing production are capitalized, except as noted below. Such acquisition costs and deferred development expenditures are amortized over the estimated life of the property, or written off to operations if the property is abandoned, allowed to lapse, or if there is little prospect of further work being carried out by the Company or its option to joint venture partners.

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Notes to the consolidated financial statements

March 31, 2008 and 2007

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(c) *Mineral properties (continued)*

Mineral property acquisition costs include the cash consideration and the fair market value of common shares issued for mineral property interests, based on the trading price of the shares at the time the acquisition is closed and shares issued pursuant to the terms of the relevant agreement. Payments relating to a property acquired under and option or joint venture agreement, where such payments are made at the sole discretion of the Company, are recorded in the accounts upon payment.

The amount presented for mineral property interests represents costs incurred to date and accumulated acquisition costs, less write-downs, and does not necessarily reflect present or future values.

(d) *Deferred exploration costs*

The Company defers all exploration expenses relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized over the proven reserves available on the related property following commencement of production.

(e) *Cost of maintaining mineral properties*

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

(f) *Use of estimates*

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of environmental obligations, impairment of mineral claims and deferred exploration expenditures, rates for depletion and amortization and stock-based compensation. Actual results could differ from those estimates.

(g) *Asset retirement obligation*

The Company has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3110, *Asset Retirement Obligations*, which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. The standards apply to legal obligations associated with the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. The standards require that a liability for an asset retirement obligation be recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost should be recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value.

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2. Significant accounting policies (continued)

(h) *Equipment and machinery*

Equipment and machinery are carried at cost less accumulated amortization. Amortization is calculated using the declining-balance method at 45% per annum for computer equipment, 20% per annum for telephone equipment and office equipment, and 10% for motor vehicles.

(i) *Future income taxes*

The Company follows the asset and liability method of accounting for income taxes whereby future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect of future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantively assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is likely to be realized.

(j) *Share issue costs*

Professional, consulting and regulatory fees as well as other costs that are directly attributable to financing transactions are deferred until such time as the transactions are completed. Share issue costs are charged to capital stock when the related shares are issued. Costs relating to financing transactions that are not completed are charged to operations.

(k) *Flow-through shares*

The Company may from time to time issue flow-through shares to finance a portion of its capital expenditure program. Pursuant to the terms of flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. Accordingly, share capital will be reduced and a future tax liability will be recorded equal to the estimated amount of future income taxes payable by the Company as a result of the renunciations, when the renunciations are made. In instances where the Company has sufficient available tax loss carryforwards or other deductible temporary differences available to offset the renounced tax deductions, the realization of the deductible taxable differences will be credited to income in the period of renunciation.

(l) *Financial instruments*

The Company's financial instruments consist of cash, sundry receivables, prepaid expenses, accounts payable and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility in those rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

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2. Significant accounting policies (continued)

(m) Loss per share

The Company uses the treasury stock method to calculate diluted loss per share. Diluted loss per share considers the dilutive impact of the exercise of outstanding stock options, warrants and similar instruments as if the events had occurred at the beginning of the period or at time of issuance, if later. For the three months ended March 31, 2008 and 2007, this calculation was not presented separately as the effect of stock options and warrants was anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period.

(n) Stock-based compensation

The Company accounts for stock options using the fair value method. Under the fair value method, options granted to employees and non-employees are charged against income over the period of vesting. The fair value of each option granted is estimated on the date of the grant using the Black-Scholes options pricing model. The Company has a stock-based compensation plan as disclosed in Note 9 whereby stock options are granted in accordance with the policies of regulatory authorities. Any consideration paid by employees and non-employees upon exercise of stock options is credited to share capital.

(o) Recent accounting pronouncements

(i) Financial instrument disclosures

In March 2007, the CICA issued Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. The standard deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. Management is currently evaluating the impact of these standards on the consolidated financial statements.

(ii) Capital disclosures

In December 2006, the CICA issued Section 1535, *Capital Disclosures*. This section establishes standards for disclosing information about an entity's objectives, policies, and processes for managing capital. This section was effective November 1, 2007 but is not expected to have an impact on the Company's disclosure and presentation.

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2. Significant accounting policies (continued)

(o) Recent accounting pronouncements (continued)

(iii) Inventories

In June 2007, the CICA issued Section 3031, *Inventories*, which provides more guidance on the measurement and disclosure requirements for inventories. Specifically the new pronouncement requires inventories to be measured at the lower of cost and net realizable value, and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The new pronouncement was effective November 1, 2007 but is not expected to have an impact on the Company's disclosure and presentation.

3. Business acquisition

On June 8, 2006, the Company entered into a share purchase agreement to acquire 90% of Inversiones Mineras Alexander S.A.C. ("IMA"), a company incorporated under the laws of Peru. On June 1, 2007, the Company received final regulatory approval on this transaction. In connection with the acquisition, Grenville will issue 2,000,000 common shares to the two current shareholders of IMA (one of which is also a director of Grenville) of which 666,666 have been issued, with a further 666,666 shares to be issued on June 15, 2008 and 666,668 on June 15, 2009. In addition, Grenville will pay US\$163,000 in cash of which US\$15,000 has been paid.

The measurement of the common share consideration is based on the average closing share price of the Company's common shares for a five day period before and after the date of the transaction. The transaction is considered to be an asset purchase and the allocation of the purchase price to the fair value of the assets and liabilities acquired is as follows:

	\$
Purchase price	
Grenville common shares	1,218,531
Cash	174,345
	<hr/> 1,392,876

The fair value of assets and liabilities acquired were as follows:

	\$
Mineral property	1,861,616
Net working capital	(53,492)
Future income tax liabilities	(417,863)
Non-controlling interest	2,615
	<hr/> 1,392,876

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Notes to the consolidated financial statements

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4. Equipment

Expenditures and amortization on equipment were as follows:

			March 31, 2008
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office equipment	46,468	5,624	40,844

			December 31, 2007
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office equipment	40,991	4,002	36,989

5. Advances on mineral properties

Advance payments and write-downs on the acquisition of mineral properties were as follows:

	October 31, 2007	Write-down	December 31, 2007	Write-down	March 31, 2008
	\$	\$	\$	\$	\$
Advances					
Alexander Corporation	1	-	1	-	1
La Tigrera property, Ecuador	1	-	1	-	1
	2	-	2	-	2

(a) *La Tigrera property*

On October 18, 2006, the Company entered into an agreement to purchase 100% of the 698 hectare La Tigrera gold project located in El Oro, southern Ecuador.

A down payment of US\$100,000 (Cdn\$114,280) was paid on October 16, 2006. Management has decided not to pursue the acquisition of this property and as a result the value of the advance has been written down to a nominal value.

(b) *Alexander Corporation*

On May 2, 2006, the Company signed a letter of intent to purchase 90% of the common shares Inversiones Mineras Alexander S.A.C. ("Alexander") which owns the mineral rights to the Chorobal Gold Project ("Chorobal"). In 2007, the Company has decided not to pursue the development of this property and as a result the value of the advance has been written down to a nominal value.

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(Expressed in Canadian dollars)

6. Mineral properties

Expenditures and write-offs incurred on mineral properties were as follows:

	December 31, 2007	Exploration expenditures	Acquisition	Write-down	March 31, 2008
	\$	\$	\$	\$	\$
Parkman property, Ontario					
Acquisition	1	-	-	-	1
Exploration	-	-	-	-	-
Rio De Oro property, Ecuador					
Acquisition	1	-	-	-	1
Exploration	-	-	-	-	-
Silveria property, Peru					
Acquisition	2,556,950	-	-	-	2,556,950
Exploration	815,005	120,636	-	-	935,641
Espanola/Rosa Maria property, Peru					
Acquisition	457,502	-	-	-	457,502
Exploration	89,874	-	-	-	89,874
Chorobal property, Peru					
Acquisition	303,942	-	-	-	303,942
	4,223,275	120,636	-	-	4,343,911

	October 31, 2007	Exploration expenditures	Acquisition	Write-down	December 31, 2007
	\$	\$	\$	\$	\$
Parkman property, Ontario					
Acquisition	1	-	-	-	1
Exploration	-	-	-	-	-
Rio De Oro property, Ecuador					
Acquisition	1	-	-	-	1
Exploration	-	-	-	-	-
Silveria property, Peru					
Acquisition	2,556,950	-	-	-	2,556,950
Exploration	480,545	334,460	-	-	815,005
Espanola/Rosa Maria property, Peru					
Acquisition	457,502	-	-	-	457,502
Exploration	48,255	41,619	-	-	89,874
Chorobal property, Peru					
Acquisition	303,942	-	-	-	303,942
Exploration	-	-	-	-	-
	3,847,196	376,079	-	-	4,223,275

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6. Mineral properties (continued)

(a) *Parkman, Wyse and McAuslan properties ("Parkman property"), Ontario*

The Company holds a two-thirds interest of a 50% interest in 314 claims units in 23 mining claims covering a total of 5,024 hectares in Parkman, Wyse and McAuslan townships about 60 km north of North Bay, Ontario through its ownership two-thirds ownership of the Parkman Diamond Company.

Exploration efforts on these properties have not demonstrated that further exploration will be warranted and therefore the properties have been written down to a nominal value.

(b) *Acquisition of Rio De Oro, Ecuador*

On January 8, 2007, the Company entered into an agreement to purchase 100% of 80,000 hectares in 16 mineral concessions in the El Oro province of southern Ecuador ("Rio De Oro"). The total purchase price for this property is US\$122,000 (Cdn\$138,085). Of the 80,000 hectares staked, 56,205 were granted and title provided to the Company.

As part of this purchase, the Company agreed to enter a joint venture with a third party in the development of this property. In respect of this agreement, the joint venture partner advanced US\$50,000 (Cdn\$57,090) to the Company. On February 2, 2007, the joint venture agreement was terminated and the advance was repaid by the Company.

As at October 31, 2007, the Company has decided not to pursue an exploration program of this property and as a result the value of the property has been written down to a nominal value.

(c) *Silveria property*

On January 17 and 18, 2007 the Company acquired four mines through its 90% subsidiary, IMA, in the San Mateo Mining District, Province of Huarochiri, Department of Lima, Peru, directly from the Peruvian government agency responsible for mining. The four mines, Pacococha, Milotingo, Silveria and Germania have all been grouped into one property. Additional claims have been purchased and added to this property bringing the total mineral concessions comprising the Silveria property to 2,797 hectares and a total land base of 3,393 hectares.

As at March 31, 2008, significant exploration work of \$935,641 has been carried out on this property and exploration is ongoing.

(d) *Espanola/Rosa Maria property*

Pursuant to six letters of intent entered into on July 20, 2006, the Company, through its 90% owned subsidiary, IMA, has acquired a 7,297 hectare parcel of land located 100 km southeast of the city of Lima, in the province of Canete, Peru.

Further underground sampling has been carried out on the property. A total of \$89,874 in exploration work has been carried out on the property as at March 31, 2008.

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6. Mineral properties (continued)

(e) Chorobal property

Pursuant to a letter of intent entered into by the Company on May 2, 2006, the Company, through its 90% owned subsidiary, IMA, has since acquired approximately 17,900 hectares of mining claims in the Department of La Libertad, 65 km southeast of Trujillo, Peru, and 35 km from the coast.

The Chorobal property is not currently the primary exploration focus of the Company. Management will be looking into different investing options for this property.

7. Other deposits

On December 13, 2007, the Company signed a letter of intent, amended March 17, 2008, to form a joint venture with Journey Resources ("Journey"). This transaction is subject to TSX approval. In accordance with this agreement, Journey may acquire up to 75% of the Silveria property by funding up to a total of \$12,000,000 in exploration and development expenditures in accordance with the following schedule:

(a) To earn its first 25% interest:

- (1) \$200,000 upon signing of the letter of intent (received);
- (2) \$1,300,000 on or before June 30, 2008, and the issue of 1,000,000 Journey common shares to the Company; and
- (3) \$1,500,000 on or before three months of (2);

(b) To earn up to a 50% interest:

- (1) an additional \$3,000,000 on or before 8 months after TSX approval;

(c) To earn an additional 25% interest (75% in total):

- (1) Journey has the option to earn an additional 25% by funding an additional \$6,000,000 on or before January 31, 2011 and pay the Company and additional \$1,000,000 cash.

The Company has the option to maintain its 50% interest in the project, by electing to forfeit the \$1,000,000 cash payment and contribute an equal amount of expenditure under the joint venture, after the initial \$6,000,000 expenditure.

The \$200,000 balance reflected in the current liability section of the balance sheet represents the funds received by the entity prior to March 31, 2008.

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Notes to the consolidated financial statements

March 31, 2008 and 2007

(Expressed in Canadian dollars)

8. Due to related parties

During the three months ended March 31, 2008, the Company entered into the following transactions with related parties:

- (a) Paid or accrued \$48,650 (March 31, 2007 - \$44,688) for management and administration costs to directors, officers, former officers and a relative of a director of the Company; and
- (b) Paid or accrued \$Nil (March 31, 2007 - \$11,050) for consulting fees to officers and a former officer of the Company.

Amounts due to directors, companies owned by directors, former directors, the officers of the Company, and the relative of a director of the company are unsecured, non-interest bearing and with no fixed terms of repayment; accordingly, the fair value cannot be readily determined.

These transactions were in the normal course of operations and have been recorded at the exchange amount, which is the amount agreed to by the related parties.

9. Share capital and contributed surplus

(a) *Authorized*

Unlimited common shares without par value

(b) *Exercise of options*

No options were exercised during the three month period ended March 31, 2008.

(c) *Exercise of warrants*

During the quarter ended October 31, 2007, the Company issued 335,500 shares for the exercise of share purchase warrants at a price of \$0.30 per share for a total consideration of \$100,650.

(d) *Private placements*

On February 4, 2008, the Company completed a private placement consisting of 1,733,333 units at \$0.20 per unit for total proceeds of \$520,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.45 for one year from the date of closing. No finders' fees were paid in connection with this private placement.

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Notes to the consolidated financial statements

March 31, 2008 and 2007

(Expressed in Canadian dollars)

9. Share capital and contributed surplus (continued)

(e) Share purchase warrants

As at March 31, 2008, the Company had outstanding warrants enabling the holders to acquire one common share for each warrant as follows:

Number of warrants	Year One exercise price \$	Year Two exercise price \$	Expiry date
650,000	0.30	0.35	August 21, 2008
147,059	0.40	0.60	December 1, 2008
14,705	0.40	0.60	December 12, 2008
3,645,000	0.30	0.30	December 13, 2008
3,071,200	0.80	0.80	June 25, 2009
1,733,333	0.45	-	February 4, 2009
<u>9,261,297</u>			

(f) Stock options

The Company has a stock option plan ("2006 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:

	Number of options	Weighted average exercise price \$
Outstanding, October 31, 2006	1,995,000	0.31
Granted	1,345,000	0.58
Cancelled	(533,500)	0.27
Exercised	(814,278)	0.36
Outstanding, October 31, 2007	1,992,222	0.49
Granted	-	-
Cancelled	-	-
Exercised	(40,000)	0.25
Outstanding, December 31, 2007	1,952,222	0.49
Granted	1,500,000	0.30
Cancelled	(83,335)	0.23
Exercised	-	-
Outstanding, March 31, 2008	<u>3,368,887</u>	<u>0.41</u>

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March 31, 2008 and 2007

(Expressed in Canadian dollars)

9. Share capital and contributed surplus (continued)

(f) Stock options (continued)

At March 31, 2008, the Company had outstanding options enabling the holders to acquire common shares as follows:

Number of options	Exercise price \$	Expiry date	Option plan	Weighted average remaining life (years)
288,887	0.23	May 3, 2008	2003	0.08
235,000	0.40	October 17, 2011	2006	3.63
150,000	0.50	January 9, 2012	2006	3.79
75,000	0.52	February 15, 2012	2006	3.96
300,000	0.60	May 28, 2012	2006	4.17
500,000	0.60	June 4, 2012	2006	4.18
320,000	0.60	August 27, 2012	2006	4.42
1,500,000	0.30	January 14, 2013	2006	4.79
3,368,887				4.06

During the three month period ended March 31, 2008, the Company granted 1,500,000 (March 31, 2007 - 225,000) stock options with a \$388,899 fair value (March 31, 2007 - \$94,053). No options vested during the three month period ended March 31, 2008.

Subsequent to March 31, 2008 the Company granted options to purchase 200,000 shares to a consultant. The options expire on May 22, 2013 and have an exercise price of \$0.20 per share.

10. Segmented information

The Company operates in one reportable operating and geographic segment, being the exploration and evaluation of mineral properties for development in Peru

11. Subsequent events

For subsequent events please refer to Note 9.