

# **GROSVENOR**

**RESOURCE CORPORATION**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

**November 30, 2018**

These unaudited condensed interim financial statements of Grosvenor Resource Corporation for the three months ended November 30, 2018 have been prepared by management and approved by the Board of Directors. These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

**GROSVENOR RESOURCE CORPORATION**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**AS AT**  
(Unaudited)  
(Expressed in Canadian Dollars)

	November 30, 2018	August 31, 2018 (Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash and equivalents	\$ 905,096	\$ 760,510
Marketable securities (Note 3)	1,304,640	1,685,160
Short-term investments	581,134	589,858
Receivables	16,334	11,930
Prepaid expenses	<u>3,667</u>	<u>5,042</u>
	2,810,871	3,052,500
<b>Exploration and evaluation asset</b> (Note 4)	<u>19,738</u>	<u>19,738</u>
	<u>\$ 2,830,609</u>	<u>\$ 3,072,238</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Current**

Accounts payable and accrued liabilities (Note 5)	<u>\$ 10,821</u>	<u>\$ 26,936</u>
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**Shareholders' equity**

Capital stock (Note 6)	10,099,749	10,099,749
Reserves (Note 6)	2,083,737	2,083,737
Accumulated other comprehensive income	945,865	1,276,917
Deficit	<u>(10,309,563)</u>	<u>(10,415,101)</u>
	<u>2,819,788</u>	<u>3,045,302</u>
	<u>\$ 2,830,609</u>	<u>\$ 3,072,238</u>

**Nature of operations** (Note 1)

**Commitment** (Note 9)

Approved by the Board of Directors:

<u>“Douglas Scheving”</u> Douglas Scheving	Director	<u>“Ian Rozier”</u> Ian Rozier	Director
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The accompanying notes are an integral part of these condensed interim financial statements.

**GROSVENOR RESOURCE CORPORATION**  
**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**THREE MONTHS ENDED NOVEMBER 30,**  
(Unaudited)  
(Expressed in Canadian Dollars)

	2018	2017
<b>EXPENSES</b>		
Consulting fees	\$ 21,000	\$ 18,000
Directors' fees	9,000	9,000
Management fees	24,000	18,000
Office and miscellaneous	1,985	5,270
Professional fees	22,958	18,990
Property investigation costs	32,422	-
Rent	7,500	7,500
Shareholder communications	120	180
Transfer agent and filing fees	<u>3,883</u>	<u>3,628</u>
	(122,868)	(80,568)
<b>OTHER ITEMS</b>		
Dividend income (Note 3)	271,800	-
Interest income	<u>6,074</u>	<u>6,704</u>
	<u>277,874</u>	<u>6,704</u>
<b>Income (loss) before taxes</b>	155,006	(73,864)
Deferred tax recovery (expense)	<u>(49,468)</u>	<u>7,067</u>
<b>Income (loss) for the period</b>	105,538	(66,797)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Unrealized gain (loss) on marketable securities, net of tax (Note 3)	<u>(331,052)</u>	<u>47,293</u>
<b>Comprehensive loss for the period</b>	<u>\$ (225,514)</u>	<u>\$ (19,504)</u>
<b>Earnings (loss) per common share:</b>		
Basic	\$ 0.00	\$ (0.00)
Diluted	\$ 0.00	\$ (0.00)
<b>Weighted average number of common shares outstanding</b>		
Basic (Note 6(a))	26,900,694	26,850,694
Diluted (Note 6(a))	26,900,694	26,850,694

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

**GROSVENOR RESOURCE CORPORATION**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
**THREE MONTHS ENDED NOVEMBER 30,**  
(Unaudited)  
(Expressed in Canadian Dollars)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) for the period	\$ 105,538	\$ (66,798)
Items not affecting cash:		
Deferred tax expense (recovery)	49,468	(7,067)
Interest income	(6,074)	(6,704)
Change in non-cash working capital items:		
Increase in receivables	(4,623)	(3,973)
Decrease in prepaid expenses	1,375	1,375
Increase (decrease) in accounts payable and accrued liabilities	(16,115)	(17,004)
Interest received	<u>15,017</u>	<u>6,362</u>
Cash provided by (used in) operating activities	<u>144,586</u>	<u>(93,809)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of short-term investments	<u>-</u>	<u>(557,173)</u>
Cash used in investing activities	<u>-</u>	<u>(557,173)</u>
<b>Change in cash and equivalents during the period</b>	144,586	(650,982)
<b>Cash and equivalents, beginning of period</b>	<u>760,510</u>	<u>1,519,190</u>
<b>Cash and equivalents, end of period</b>	<u>\$ 905,096</u>	<u>\$ 868,208</u>
<b>Cash and equivalents consists of:</b>		
Cash	\$ 413,092	\$ 66,801
Guaranteed Investment Certificates	<u>492,004</u>	<u>801,407</u>
	<u>\$ 905,096</u>	<u>\$ 868,208</u>

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

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

	<u>Capital Stock</u>		Reserves	Accumulated Other Comprehensive Income	Deficit	Total
	Number	Amount				
<b>Balance at August 31, 2017</b>	26,850,694	\$ 10,091,249	\$ 1,752,843	\$ 898,571	\$ (9,250,621)	\$ 3,492,042
Loss for the period	-	-	-	-	(66,797)	(66,797)
Unrealized gain on marketable securities	-	-	-	47,293	-	47,293
<b>Balance at November 30, 2017</b>	26,850,694	\$ 10,091,249	\$ 1,752,843	\$ 945,864	\$ (9,317,419)	\$ 3,472,537
<b>Balance at August 31, 2018</b>	26,900,694	\$ 10,099,749	\$ 2,083,737	\$ 1,276,917	\$ (10,415,101)	\$ 3,045,302
Income for the period	-	-	-	-	105,538	105,538
Unrealized loss on marketable securities	-	-	-	(331,052)	-	(331,052)
<b>Balance at November 30, 2018</b>	26,900,694	\$ 10,099,749	\$ 2,083,737	\$ 945,865	\$ (10,309,563)	\$ 2,819,788

The accompanying notes are an integral part of these condensed interim 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.

The recovery of the amounts comprising exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon future profitable production.

These unaudited condensed 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 through issuance of common shares and the receipt of dividend income. The Company currently has cash and equivalents, marketable securities and short term investments totalling \$3,006,058 and net working capital of \$3,025,989 which, the Company believes, is sufficient to fund its 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.

These unaudited condensed interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

**2. STATEMENT OF COMPLIANCE AND NEW ACCOUNTING STANDARDS**

These unaudited condensed interim financial statements were authorized for issue on January 24, 2019 by the directors of the Company.

*Statement of compliance*

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended August 31, 2018.

**2. STATEMENT OF COMPLIANCE AND NEW ACCOUNTING STANDARDS (cont'd)**

*New Accounting Standards Adopted during the period*

IFRS 15, Revenue from Contracts with Customers was adopted on September 1, 2018. The standard introduces a single, principles-based, five-step model for the recognition of revenue when control of goods is transferred to the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The amended standard did not have an impact on the financial statements.

IFRS 9, Financial Instruments (“IFRS 9”) replaces IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”) and introduces the new requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 to be subsequently measured at amortized cost or fair value. The amendment also introduces a third measurement category for financial assets: fair value through other comprehensive income, and includes a single, forward-looking ‘expected loss’ impairment model.

The following is the new accounting policy for financial instruments under IFRS 9:

Financial assets and liabilities are initially recognized at fair value on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Subsequently, financial assets and liabilities are recognized based on the classification of these financial assets. The Company has classified financial assets into one of the following categories: (1) financial assets at fair value through profit or loss (“FVTPL”), (2) financial assets at fair value through other comprehensive income (“FVTOCI”), (3) financial assets at amortized cost. Financial liabilities are classified as either (1) financial liabilities at FVTPL or (2) financial liabilities at amortized cost.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in profit or loss. Financial assets at FVTOCI are subsequently measured at fair value with changes in those fair values recognized in other comprehensive income (loss), net of tax. Financial assets and liabilities at amortized cost are measured at amortized cost using the effective interest rate method.

Cash and cash equivalents and accounts receivable are classified as financial assets at amortized cost and accounts payable and accrued liabilities are classified as liabilities at amortized cost. Accounts receivable, where applicable are net of a provision for expected credit losses. Marketable securities are classified as financial assets at FVTOCI.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. The Company is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.



**2. STATEMENT OF COMPLIANCE AND NEW ACCOUNTING STANDARDS (cont'd)**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Due to the nature of its receivables and that expected credit loss is nominal, no provision for credit loss was recognized by the Company.

As the accounting reflected by the adoption of IFRS 9 under the above classifications is similar to that of IAS 39, there was no measurement impact on the Company's financial statements.

***Future Accounting Pronouncements***

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

The Company has not early adopted these standards and is currently assessing the impact these standards will have on its 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.

**3. MARKETABLE SECURITIES**

The Company holds 5,436,000 (August 31, 2018 – 5,436,000) common shares of Newport Exploration Ltd. ("Newport"), received from Newport 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 November 30, 2018, the fair value of the common shares held was \$1,304,640 (August 31, 2018 - \$1,685,160) which resulted in an unrealized loss on marketable securities, net of tax, of \$49,468 (2017 – \$7,067 gain). During the three months ended November 30, 2018, the Company received a cash dividend of \$271,800, which represents a dividend of \$0.05 per common share of its Newport shares.

**GROSVENOR RESOURCE CORPORATION**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
NOVEMBER 30, 2018

**4. 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.

<b>Three Months Ended November 30, 2018</b>		<b>Powder</b>		
<b>Acquisition costs</b>				
Balance, beginning and end of period		\$	16,000	
<b>Exploration costs</b>				
Balance, beginning and end of period			3,738	
<b>Total, beginning and end of period</b>		\$	19,738	

  

		<b>Year ended August 31, 2018</b>		
	Mineral Hill	Powder	Total	
<b>Acquisition costs</b>				
Balance, beginning of period	\$ 400,000	\$ -	\$ 400,000	
Additions	-	16,000	16,000	
Impairment	(400,000)	-	(400,000)	
Balance, end of period	-	16,000	16,000	
<b>Exploration costs</b>				
Balance, beginning of period	46,548	-	46,548	
Claim maintenance	500	3,738	4,238	
Recovery	-	-	-	
Impairment	(47,048)	-	(47,048)	
Balance, end of period	-	3,738	3,738	
<b>Total, end of period</b>	\$ -	\$ 19,738	\$ 19,738	

**GROSVENOR RESOURCE CORPORATION**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
**NOVEMBER 30, 2018**

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	November 30, 2018	August 31, 2018
Trade payables	\$ 4,671	\$ 4,736
Related party transactions (Note 8)	6,000	6,000
Accrued liabilities	150	16,200
<b>Total</b>	<b>\$ 10,821</b>	<b>\$ 26,936</b>

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.

**6. CAPITAL STOCK AND RESERVES**

a) Authorized share capital

As at November 30, 2018, the authorized share capital of the Company is an unlimited number of common shares without par value.

Basic and diluted per share amounts were calculated based on the weighted number of shares outstanding of 26,900,694. The Company's outstanding stock options were antidilutive.

During the year ended August 31, 2018, the Company issued 50,000 common shares, valued at \$0.17 per share, for 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 November 30, 2018 are as follows:

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

**GROSVENOR RESOURCE CORPORATION**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
**NOVEMBER 30, 2018**

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**6. CAPITAL STOCK AND RESERVES (cont'd)**

b) Stock options (cont'd):

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, August 31, 2017	-	\$ -
Granted	2,650,000	0.17
Balance, August 31, 2018 and November 30, 2018	2,650,000	\$ 0.17
Number of options exercisable	2,650,000	\$ 0.17

c) Warrants

As at August 31, 2018 and November 30, 2018, the Company had no outstanding share purchase warrants.

**7. 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:

	November 30, 2018	November 30, 2017
Management fees	\$ 24,000	\$ 18,000
Professional fees	18,000	18,000
Directors fees	9,000	9,000

During the three months ended November 30, 2018, the Company reimbursed rent expense of \$7,500 (2017 - \$7,500) to a company controlled by a director of the Company.

As at November 30, 2018, accounts payable and accrued liabilities included \$6,000 (August 31, 2018 - \$6,000) owing to directors of the Company.

**8. COMMITMENTS**

Grosvenor has management and consulting contracts with a company controlled by Ian Rozier, a director and Chief Executive Officer, 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. Subsequent to November 30, 2018, the agreement terminated.

**9. SEGMENTED INFORMATION**

The Company operates in the acquisition and exploration of resource assets segment. The Company's exploration and evaluation asset 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 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 \$1,885,774 at November 30, 2018 (August 31, 2018 - \$2,275,018), which are level 1 fair value measurements.

**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 a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and equivalents, short-term investments and marketable securities, the carrying value totalling \$2,790,870, 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.

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

*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 November 30, 2018, the Company had a cash and equivalents balance of \$905,096, marketable securities of \$1,304,640 and short-term investments of \$581,134 to settle current liabilities of \$10,821. 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 loss of a 1% change in interest rates is approximately \$5,800.

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 loss of a 1% change in market price is approximately \$13,000.

**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.