

# GROSVENOR

## RESOURCE CORPORATION

### MANAGEMENT'S DISCUSSION & ANALYSIS

**For the six months ended February 28, 2017**

This management's discussion and analysis of financial position and results of operations ("MD&A") is prepared as at April 27, 2017 and should be read in conjunction with the unaudited condensed interim financial statements for the six months ended February 28, 2017 of Grosvenor Resource Corporation (formerly Reva Resources Corp.) ("Grosvenor" or the "Company") with the related notes thereto. Those unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial statements and, as a result, do not contain all disclosure required under IFRS for annual financial statements. Accordingly, readers may want to refer to the August 31, 2016 audited annual financial statements and the accompanying notes.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the financial statements and MD&A, is complete and reliable.

All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. This discussion contains forward-looking statements that may involve risks and uncertainties. Such information, although considered to be accurate, actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

#### ***Description of Business***

Grosvenor is a natural resource company engaged in the acquisition and exploration of resource properties. The Company's head office is in Vancouver, British Columbia and is a reporting issuer in British Columbia, Alberta, Ontario and Nova Scotia. Grosvenor trades on the TSX Venture Exchange ("TSX-V") under the symbol GVR.

#### ***Overview***

During the year ended August 31, 2014, the Company acquired a 50% interest in the Mineral Hill gold-silver property ("Mineral Hill") for a \$250,000 cash consideration paid to Remington Resources Inc., a company with two directors in common. The parties formed a 50/50 joint venture with the Company acting as operator. On November 18, 2015, the Company paid \$150,000 to Remington for the remaining 50% of Mineral Hill.

During the year ended August 31, 2015, the Company incurred \$332 for assays, \$594 for field supplies, \$4,800 of geological consulting, \$450 for mapping and \$998 for travel and, recovered \$4,395 in tax credits.

During the year ended August 31, 2016, a prospecting and sampling program was completed on Mineral Hill. The Company incurred \$284 for assays, \$500 for claim maintenance, \$5,800 for geological consulting, \$625 for mapping, \$1,432 for travel and, recovered \$2,592 in tax credits. The key mineral claims were renewed and the property remains in good standing.

During the six months ended February 28, 2017, the Company spent \$500 for claim maintenance.

Mineral Hill covers an area of 866.18 hectares and includes the formerly productive veins of the Mineral Hill Mine, from which a reported 77,605 tons of mineralized material was mined and milled, yielding 8,894 ounces of gold 252,939 ounces of silver, 40,822 pounds of copper, 2,205,444 pounds of lead, and 367,869 pounds of zinc.

### ***Share Consolidation***

On August 10, 2016, the Company completed a 4 old for 1 new share consolidation. All references to number of shares and per share amounts have been retroactively restated to reflect the consolidation.

### ***Results of Operations***

During the three months ended February 28, 2017 (“current period”) the Company recorded a comprehensive loss of \$232,935 compared to a loss of \$73,138 for the three months ended February 29, 2016 (“comparative period”), the significant changes are as follows:

- During the current period, the Company paid \$17,000 in consulting fees to the former CFO, compared to \$12,500 in the comparative period.
- During the current period, the Company paid \$6,000 in management fees to the CEO, compared to \$Nil in the comparative period. Ian Rozier was appointed as CEO in February 2017.
- During the current period, professional fees increased to \$21,705 from \$19,680 in the comparative period. The Company’s CFO was paid \$17,000 in the current period, compared to \$15,000 in the comparative period.
- During the current period, the Company recorded a deferred tax expense of \$21,200 on a marketable securities loss, compared to an expense of \$3,533 on a marketable securities loss in the comparative period.
- During the current period, the Company recorded an unrealized marketable securities loss, net of tax, of \$141,880, compared to a loss of \$23,647 in the comparative period. The change relates to the value fluctuation of Newport Exploration Ltd. (“Newport”) common shares held by the Company.

During the six months ended February 28, 2017 (“current six-month period”) the Company recorded a comprehensive loss of \$232,935 compared to \$73,138 for the six months ended February 29, 2016 (“comparative six-month period”), the significant changes are as follows:

- During the current six-month period, the Company paid \$32,000 in consulting fees to the former CFO, compared to \$20,000 in the comparative six-month period.
- During the current six-month period, the Company paid \$6,000 in management fees to the CEO, compared to \$Nil in the comparative six-month period. Ian Rozier was appointed as CEO in February 2017.
- During the current six-month period, professional fees increased to \$37,224 from \$28,855 in the comparative six-month period. The Company’s CFO was paid \$32,000 in the current six-month period, compared to \$16,000 in the comparative six-month period.

- During the current six-month period, transfer agent and filing fees increased to \$16,042 from \$5,801 during the comparative six-month period. The difference relates to the timing of the Company's AGM and annual sustaining fees paid during the current six-month period.
- During the current six-month period, the Company recorded a deferred tax recovery of \$17,667 on a marketable securities gain, compared to an expense of \$45,934 on a marketable securities loss in the comparative period.
- During the current six-month period, the Company recorded an unrealized marketable securities gain, net of tax, of \$118,233, compared to a loss of \$307,406 in the comparative six-month period. The change relates to the value fluctuation of Newport common shares held by the Company.

### ***Liquidity and Capital Resources***

The Company's working capital position at February 28, 2017 was \$3,148,674 compared to a working capital position of \$3,139,415 at August 31, 2016. The increase in working capital is due to the increase in value of Newport marketable securities held by the Company, less cash used for operations.

As at February 28, 2017, the Company had current assets of \$3,162,695 (August 31, 2016 - \$3,156,217), total assets of \$3,589,890 (August 31, 2016 - \$3,582,912) and total liabilities of \$19,701 (August 31, 2016 - \$16,802). At February 28, 2017, the Company had no long-term debt. There are no known trends in the Company's liquidity or capital resources.

Subsequent to February 28, 2017, the fair value of the Company's marketable securities increased by \$108,720 to \$1,549,260 as at the date of this MD&A.

The Company has financed its operations to date primarily through dividends received from its share position in Newport, the sale of mineral properties, issuance of common shares, and share purchase warrants. If required, the Company may seek capital through various means including the issuance of equity and/or debt.

The Company has not paid dividends on its common shares and, has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and/or commence profitable operations in the future.

**Quarterly Financial Information**

The following table sets forth selected unaudited financial information prepared by management:

	Three Months Ended February 28, 2017	Three Months Ended November 30, 2016	Three Months Ended August 31, 2016	Three Months Ended May 31, 2016
Total assets	\$ 3,589,890	\$ 3,828,505	\$ 3,582,912	\$ 3,585,238
Working capital	3,148,674	3,382,109	3,139,415	3,145,314
Income (loss) for the period	(91,055)	(17,419)	418,060	16,126
Comprehensive net income (loss) for the period	(232,935)	242,694	(7,578)	441,764
Earnings (loss) per share	(0.00)	(0.00)	0.02	0.00

  

	Three Months Ended February 29, 2016	Three Months Ended November 30, 2015	Three Months Ended August 31, 2015	Three Months Ended May 31, 2015
Total assets	\$ 3,113,086	\$ 3,200,449	\$ 3,577,520	\$ 4,340,036
Working capital	2,687,131	2,910,269	3,270,503	4,056,023
Income (loss) for the period	(49,491)	(75,975)	(162,169)	500,129
Comprehensive net income (loss) for the period	(73,138)	(359,734)	(776,981)	642,009
Earnings (loss) per share	(0.00)	(0.00)	(0.01)	0.02

**Fiscal 2017**

During the three months ended February 28, 2017, the Company recorded a comprehensive loss of \$232,935, compared to comprehensive income of \$242,694 during the three months ended November 30, 2016. The change from the prior period was primarily attributable to the decrease in market value of the Company's Newport shareholdings, and an increase in overall operating expenses.

During the three months ended November 30, 2016, the Company recorded comprehensive income of \$242,694, compared to a comprehensive loss of \$7,578 during the three months ended August 31, 2016. The change from the prior period was primarily attributable to the increase in market value of the Company's Newport shareholdings.

**Fiscal 2016**

During the three months ended August 31, 2016, the Company recorded a comprehensive loss of \$7,578, compared to comprehensive income of \$441,764 during the three months ended May 31, 2016. The change from the prior period was attributable to the decline in market value of the Company's Newport shareholdings offset by the receipt a \$543,600 Newport dividend.

During the three months ended May 31, 2016, the Company recorded comprehensive income of \$441,764 compared to a comprehensive loss of \$73,138 recorded during the three months ended February 29, 2016. The change was attributable to the change in market value of the Company's Newport shareholdings.

During the three months ended February 29, 2016, the Company recorded a comprehensive net loss of \$73,138 compared to a comprehensive net loss of \$359,734 recorded during the three months

ended November 30, 2015. The change was attributable to the change in market value of the Company's Newport shareholdings.

During the three months ended November 30, 2015, the Company recorded a comprehensive net loss of \$359,734 compared to a comprehensive net loss of \$776,981 recorded during the three months ended August 31, 2015. The change was attributable to the Company's Newport shareholdings decrease in market value in the prior period, compared to a lesser decline in the current period.

### ***Fiscal 2015***

During the three months ended August 31, 2015, the Company recorded a comprehensive net loss of \$776,981 compared to comprehensive net income of \$642,009 recorded during the three months ended May 31, 2015. The change was attributable to dividend income of \$543,600 from Newport, received during the three months ended May 31, 2015 and, the Company's Newport shareholdings decreasing in market value.

A Notice of Civil Claim (the "Claim") brought under the BC Class Proceedings Act against the Company was dropped, as a class proceeding, as reported on July 3, 2015.

During the three months ended May 31, 2015, the Company recorded comprehensive net income of \$642,009 compared to comprehensive net income of \$185,719 recorded during the three months ended February 28, 2015. The change was attributable to a \$543,600 dividend received from Newport.

### ***Related Party Transactions***

During the six months ended February 28, 2017, the Company entered into the following transactions with related parties:

- a) Paid or accrued directors fees of \$6,000 (2016 - \$6,000) to Douglas Scheving, a director of the Company.
- b) Paid or accrued directors fees of \$5,000 (2016 - \$Nil) to Ian Rozier, a director of the Company.
- c) Paid or accrued directors fees of \$6,000 (2016 - \$6,000) to Harvey Kardos, a director of the Company.
- d) Paid or accrued directors fees of \$1,000 (2016 - \$Nil) to Douglas B. Hyndman, a director of the Company.
- e) Paid or accrued management fees of \$6,000 (2016 - \$Nil) to a company controlled by Ian Rozier, CEO of the Company.
- f) Paid professional fees of \$32,000 (2016 - \$16,000) to a company controlled by Tyler Friesen, the CFO of the Company.
- g) Paid rent of \$15,000 (2016 - \$9,000) to a company controlled by Ian Rozier, a director of the Company.

The following amounts, with respect to the above transactions, are owing to related parties as at February 28, 2017:

- a) \$2,000 (August 31, 2016 - \$2,000) to Douglas Scheving, a director of the Company

- b) \$6,300 (August 31, 2016 - \$Nil) to a company controlled by Ian Rozier, director and CEO of the Company
- c) \$2,000 (August 31, 2016 - \$2,000) to Harvey Kardos, a director of the Company
- d) \$1,000 (August 31, 2016 - \$Nil) to Douglas B. Hyndman, a director of the Company

These amounts are non-interest bearing, unsecured and paid in the ordinary course of business.

Key management includes directors, executive officers and officers of the Company. The Company paid or accrued fees to management or companies controlled by key management as follows:

	February 28, 2017	February 29, 2016
Management fees	\$ 6,000	-
Professional fees	\$ 32,000	\$ 16,000

### ***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 receivables and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

The following is an analysis of the Company's financial instruments measured using the fair value hierarchy as at February 28, 2017 and August 31, 2016:

	As at February 28, 2017		
	Level 1	Level 2	Level 3
Cash and equivalents	\$ 1,151,160	\$ -	\$ -
Marketable securities	1,440,540	-	-
Short-term investments	560,118	-	-
	\$ 3,151,818	\$ -	\$ -

  

	As at August 31, 2016		
	Level 1	Level 2	Level 3
Cash and equivalents	\$ 1,278,248	\$ -	\$ -
Marketable securities	1,304,640	-	-
Short-term investments	555,866	-	-
	\$ 3,138,754	\$ -	\$ -

### ***Financial Risk Factors***

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves 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 and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because instruments are due primarily from government agencies and cash and equivalents is held with a reputable Canadian financial institution.

### *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 February 28, 2017, the Company had a cash and equivalents balance of \$1,151,160 (August 31, 2016 - \$1,278,248) to settle current liabilities of \$14,021 (August 31, 2016 - \$16,802). To maintain liquidity, the Company relies on its ability to raise money through equity and or debt financing. As disclosed in Note 1, there can be no assurance these efforts will be successful in the future. 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. The Company's current policy is to invest excess cash and equivalents 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.

#### b) Foreign currency risk

The Company is not currently exposed to significant foreign currency risk as most transactions are denominated in Canadian dollars.

#### c) Price risk

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

### *Capital Management*

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

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

### ***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 the following standards and is currently assessing the impact these standards will have on its financial statements;

IFRS 9 Financial Instruments

IFRS 10 Consolidated Financial Statements

IAS 12 Income Taxes

IAS 1 Presentation of Financial Statements

### ***Risk, Uncertainties and Outlook***

As a company active in mineral resource acquisition and exploration, the Company is exposed to a number of risks, including the financial risks associated with the fact that it has no operating cash flow and relies on accessing capital markets to finance its activities.

There can be no assurances the Company will continue to be able to access the capital markets for the funding necessary to acquire and maintain exploration properties and, to carry out its desired exploration programs. In addition to this having an impact on any future wholly owned projects, the Company could find itself in a position where it is unable to fund its share of costs incurred under joint venture agreements to which it is a party, and its interest in such joint ventures could be reduced or eliminated as a result.

The Company is very reliant upon its existing management, and if the services of such personnel were withdrawn for any reason, this could have a materially adverse impact on the Company's operating activities.

There is competition within the natural resource industry for properties of merit, and the Company competes with other companies possessing greater technical and financial resources than itself. Even if desirable properties are secured, there can be no assurances that the Company will be able to execute its exploration programs on its proposed schedules and within its cost estimates, whether due to weather conditions in the areas where it operates, increasingly stringent environmental regulations and other permitting restrictions, or other factors related to exploring in areas that lack infrastructure, and the availability of essential supplies and services.

These conditions may lead to increased costs and difficulties in scheduling contractors at times that are optimal from the Company's perspective.

The Company's future exploration activities may require permits from various governmental agencies charged with administering laws and regulations governing exploration, labour standards, occupational health and safety, control of toxic substances, waste disposal, land use, environmental protection and other matters. Failure to comply with laws, regulations and permit conditions could result in fines and/or stop work orders, costs for conducting remedial actions and other expenses. In addition, legislation changes to existing laws and regulations could result in significant

additional costs to comply with the revised terms and could also result in delays in executing planned programs pending compliance with those terms.

***Contingencies***

As of the date of this MD&A, the Company has no contingencies.

***Off Balance Sheet Arrangements***

As of the date of this MD&A, the Company has no off Balance Sheet arrangements.

***Investor Relations***

As of the date of this MD&A, the Company has no investor relations agreements.

***Proposed Transactions***

As of the date of this MD&A, the Company has no proposed transactions.

***Share Capital***

As at April 27, 2017, the Company had 26,850,694 common shares outstanding and the following outstanding warrants and options:

***Outstanding Options:***

Nil

***Outstanding Warrants:***

Nil

***Disclaimer***

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed [www.sedar.com](http://www.sedar.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

***Cautionary Statement on Forward-Looking Information***

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, foreign operations and foreign government regulations, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirements for obtaining permits and licenses for the Company's operations in the jurisdictions in which it operates.