

# GROSVENOR

## RESOURCE CORPORATION

### MANAGEMENT'S DISCUSSION & ANALYSIS

**For the year ended August 31, 2018**

This management's discussion and analysis of financial position and results of operations ("MD&A") is prepared as at November 8, 2018 and should be read in conjunction with the audited financial statements for the year ended August 31, 2018 of Grosvenor Resource Corporation (formerly Reva Resources Corp.) ("Grosvenor" or the "Company") with the related notes thereto. Those audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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 involve risks and uncertainties. Such information, although considered to be accurate and 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 mineral properties. The Company's head office is in Vancouver, British Columbia. The Company is a reporting issuer in British Columbia, Alberta, Ontario and Nova Scotia and trades on the TSX Venture Exchange ("TSX-V") under the symbol GVR.

#### ***Overview***

##### 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). Additionally, the Company paid \$3,738 in claim maintenance during August 2018. The property is subject to a 1% NSR.

##### Mineral Hill

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.

In fiscal 2014, the Company acquired a 50% interest in the Mineral Hill gold-silver property ("Mineral Hill") from Remington Resources Inc. ("Remington"). During the year ended August 31, 2016, Company purchased the remaining 50% of Mineral Hill from Remington.

During the year ended August 31, 2017, the Company spent \$26,485 for claim maintenance and, recovered \$6,632 in tax credits.

During the year ended August 31, 2018, the Company chose not to continue to explore the Mineral Hill property and recognized an impairment charge of \$447,048.

### ***Selected Annual Information***

	2018	2017	2016
Exploration and evaluation asset	\$ 19,738	\$ 446,548	\$ 426,695
Total assets	3,072,238	3,516,219	3,582,912
Current liabilities	26,936	24,177	16,802
Income (loss) for the year	(1,164,479)	(26,775)	308,720
Comprehensive income (loss) for the year	(786,133)	(74,068)	24,961
Earnings (loss) per share	(0.04)	(0.00)	0.01

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

During the year ended August 31, 2018 (“current year”), the Company recorded a loss of \$1,164,480 compared to income of \$26,775 for the year ended August 31, 2017 (“comparative year”). The significant changes are as follows:

- During the current year, the Company recorded an impairment of Mineral Hill of \$447,048. No such impairment was required in the comparative year.
- During the current year, the Company recorded a deferred tax recovery of \$56,534 on the gain on marketable securities compared to an expense of \$7,067 on the loss of marketable securities during the comparative year.
- During the current year, property investigation costs increased to \$86,410, from \$Nil in the comparative year. Effective January 2018, the Company entered into an agreement for property investigation services for US\$8,000 per month.
- During the current year, share-based payments (a non-cash expense) increased to \$330,894 in the current nine-month period, a result of the grant of 2,650,000 stock options. No such grant took place in the comparative year.
- During the current year, professional fees increased to \$110,365 from \$90,400 incurred during the comparative year. The increase is due to an increase in fees paid to the Company’s CFO.
- During the current year, management fees increased to \$88,000 from \$42,000 incurred during the comparative year. Commencing January 2018, the CEO’s fees increased to \$8,000 per month.

#### ***Fourth Quarter Results***

During the three months ended August 31, 2018 (“current period”), the Company recorded a loss of \$602,322 compared to net income of \$135,903 for the three months ended August 31, 2017 (“comparative period”). The significant changes during the current period compared to the comparative period, are as follows:

- Impairment of exploration and evaluation asset of \$447,048 in the current period. No such impairment was required in the comparative period.
- Dividend income of \$271,800 was received during the comparative period. No such dividends were received in the current period.

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

The Company’s working capital position at August 31, 2018 was \$3,025,564 as compared to a working capital position of \$3,045,494 at August 31, 2017. The decrease in working capital is mainly due cash spent for operations and partially offset by the increase in value of the Newport marketable securities held by the Company.

As at August 31, 2018, the Company had current assets of \$3,052,500 (2017 - \$3,069,671), total assets of \$3,072,238 (2017 - \$3,516,219) and total liabilities of \$26,936 (2017 - \$24,177). At August 31, 2018, the Company had no long-term debt outstanding. There are no known trends in the Company’s liquidity or capital resources.

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 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 or mine development.

#### ***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.

#### ***Quarterly Financial Information***

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

	Three Months Ended August 31, 2018	Three Months Ended May 31, 2018	Three Months Ended February 28, 2018	Three Months Ended November 30, 2017
Total assets	\$ 3,072,238	\$ 3,844,830	\$ 3,487,403	\$ 3,479,710
Working capital	3,025,564	3,373,749	3,014,969	3,025,989
Loss for the period	(602,322)	(390,252)	(105,108)	(66,797)
Comprehensive income (loss) for the period	(791,494)	35,386	(10,521)	(19,504)
Loss per share	(0.03)	(0.01)	(0.00)	(0.00)

  

	Three Months Ended Aug 31, 2017	Three Months Ended May 31, 2017	Three Months Ended February 28, 2017	Three Months Ended November 30, 2016
Total assets	\$ 3,516,219	\$ 3,646,348	\$ 3,589,890	\$ 3,828,505
Working capital	3,045,494	3,212,703	3,148,674	3,382,109
Income (loss) for the period	135,903	(54,204)	(91,055)	(17,419)
Comprehensive net income (loss) for the period	(147,856)	64,029	(232,935)	242,694
Earnings (loss) per share	0.00	(0.00)	(0.00)	(0.00)

Period to period changes to income tax expense/recovery and unrealized gain/loss on marketable securities relate to the value of the Company's Newport shareholdings.

During the three months ended August 31, 2018, the Company acquired Powder for \$16,000. Subsequent to the Powder acquisition, the Company recognized an impairment charge related to the Mineral Hill property of \$447,048.

During the three months ended May 31, 2018, the Company recorded a share-based payment expense of \$330,894 relating to the grant of 2.65 million stock options.

During the three months ended August 31, 2017, the Company received dividend income of \$271,800 from its Newport shareholdings.

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

During the year ended August 31, 2018, the Company entered into the following transactions with related parties:

- Paid rent of \$30,000 (2017 - \$30,000) to a company controlled by Ian Rozier, Chief Executive Officer and director of the Company.
- Paid management fees of \$88,000 (2017 - \$42,000) and director fees of \$Nil (2017 - \$5,000) to a company controlled by Ian Rozier, Chief Executive Officer and director of the Company.
- Paid or accrued directors fees of \$12,000 (2017 - \$12,000) to Harvey Kardos, a director of the Company.
- Paid or accrued directors fees of \$12,000 (2017 - \$12,000) to Douglas Scheving, a director of the Company.

- e) Paid or accrued directors fees of \$12,000 (2017 - \$7,000) to Douglas Hyndman, a director of the Company.
- f) Paid professional fees of \$72,000 (2017 - \$68,000) to a company controlled by Tyler Friesen, the Chief Financial Officer of the Company.
- g) Share-based payments of \$264,090 (2017 - \$Nil) to directors and officers of the Company.

The following amounts, with respect to the above transactions, are owing to related parties as at August 31, 2018:

- a) \$2,000 (2017 - \$2,000) to Douglas Scheving, a director of the Company
- b) \$2,000 (2017 - \$2,000) to Harvey Kardos, a director of the Company
- c) \$2,000 (2017 - \$2,000) to Douglas Hyndman, a director of the Company

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

### ***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.

### ***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 loss of a 1% change in market price is approximately \$16,900.

### **Capital management**

Newport'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.

Newport 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.

### ***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, but are not limited to, the following:

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the

value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

### ***New and Future Accounting Standards***

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 expected 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.

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

As a company engaged in the mineral resource acquisition and exploration industry, 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 must access the capital markets to finance its activities.

There can be no assurance the Company will 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 be in a position, at a future time, where it is unable to fund its share of costs incurred under

joint venture agreements to which it may be 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 material 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 a desirable property was 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.

### ***Dividend***

On October 19, 2018, the Company received a dividend of \$217,800 from its Newport shareholdings.

### ***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 the date of this MD&A, the Company had 26,900,694 common shares outstanding and the following outstanding options:



***Outstanding Options:***

As of the date of this MD&A, the Company had 2,650,000 options outstanding, with an exercise price of \$0.17 per share, expiring May 29, 2023.

***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.