

GROSVENOR

RESOURCE CORPORATION

MANAGEMENT'S DISCUSSION & ANALYSIS

For the three months ended November 30, 2019

This management's discussion and analysis of financial position and results of operations ("MD&A") is prepared as at January 9, 2020 and should be read in conjunction with the unaudited condensed interim financial statements for the three months ended November 30, 2019 of Grosvenor Resource Corporation ("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, 2019 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.

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. The Company 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

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 and 50,000 of its common shares (valued at \$8,500). Additionally, the Company paid \$3,738 in claim maintenance during August 2018. During the year ended August 31, 2019, the Company paid \$5,350 in claim maintenance. The property is subject to a 1% NSR.

Mineral Hill

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

Mineral Hill covered 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.

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

Results of Operations

During the three months ended November 30, 2019 (“current period”) the Company recorded comprehensive income of \$131,467 compared to a comprehensive loss of \$225,514 for the three months ended November 30, 2018 (“comparative period”). The significant changes during the current period from the comparative period are as follows:

- During the current period, property investigation costs decreased to \$Nil, from \$32,422 in the comparative period. A previously entered into contract for property investigation costs expired.
- During the current period, the Company recorded a deferred tax expense of \$14,677 on a marketable securities loss, compared to an expense of \$49,468 on a marketable securities loss in the comparative period.
- During the current period, the Company recorded an unrealized marketable securities loss of \$94,043, compared to a loss of \$331,052 in the comparative 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 November 30, 2019 was \$3,246,417 compared to a working capital position of \$3,114,950 at August 31, 2019. The decrease in working capital is mainly due to the decrease in value of marketable securities held by the Company.

As at November 30, 2019, the Company had current assets of \$3,252,658 (August 31, 2019 - \$3,142,968), total assets of \$3,277,746 (August 31, 2019 - \$3,168,074) and total liabilities of \$6,241 (August 31, 2019 - \$28,036). At November 30, 2019, the Company had no long-term debt outstanding. There are no known trends in the Company's liquidity or capital resources.

The Company finances its operations through dividend income. The Company currently has cash and equivalents, marketable securities and short term investments totaling \$3,230,636 and net working capital of \$3,246,417 which, the Company believes, is sufficient to fund its current operations in the foreseeable future. In the longer term, additional equity or debt financing may be necessary to fund exploration, 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 Ltd. 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, it will be obligated to pay 24 months services fees to the company.

Quarterly Financial Information

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

	Three Months Ended November 30, 2019	Three Months Ended August 31, 2019	Three Months Ended May 31, 2019	Three Months Ended February 28, 2019
Total assets	\$ 3,277,746	\$ 3,168,074	\$ 2,968,165	\$ 2,954,045
Working capital	3,246,417	3,114,950	2,941,605	2,923,269
Income (loss) for the period	225,510	(58,271)	(76,251)	(65,453)
Comprehensive income for the period	131,467	178,195	18,336	123,719
Earnings (loss) per share	0.01	(0.00)	(0.00)	(0.00)

	Three Months Ended November 30, 2018	Three Months Ended August 31, 2018	Three Months Ended May 31, 2018	Three Months Ended February 28, 2018
Total assets	\$ 2,830,609	\$ 3,072,238	\$ 3,844,830	\$ 3,487,403
Working capital	2,800,050	3,025,564	3,373,749	3,014,969
Loss the period	105,538	(602,322)	(390,252)	(105,108)
Comprehensive income (loss) for the period	(225,514)	(791,494)	35,386	(10,521)
Loss per share	0.00	(0.03)	(0.01)	(0.00)

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

During the three months ended November 30, 2019, the Company received dividend income of \$326,160 from its Newport shareholdings.

During the three months ended November 30, 2018, the Company received dividend income of \$271,800 from its 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 a \$447,048 impairment charge related to Mineral Hill.

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.

Related Party Transactions

During the three months ended November 30, 2019, the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$24,000 (2018 - \$24,000) to a company controlled by Ian Rozier, CEO and director of the Company.

- b) Paid or accrued directors fees of \$3,000 (2018 - \$3,000) to Harvey Kardos, a director of the Company.
- c) Paid or accrued directors fees of \$3,000 (2018 - \$3,000) to Douglas Hyndman, a director of the Company.
- d) Paid or accrued directors fees of \$3,000 (2018 - \$3,000) to Douglas Scheving, a director of the Company.
- e) Paid professional fees of \$18,000 (2018 - \$18,000) to a company controlled by Tyler Friesen, the CFO of the Company.

The following amounts, with respect to the above transactions, are owing to related parties as at November 30, 2019:

- a) \$2,000 (August 31, 2019 - \$2,000) to Douglas Scheving, a director of the Company
- b) \$2,000 (August 31, 2019 - \$2,000) to Douglas Hyndman, a director of the Company
- c) \$2,000 (August 31, 2019 - \$2,000) to Harvey Kardos, 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:

	August 31, 2019	August 31, 2018
Management fees	\$ 24,000	\$ 24,000
Professional fees	\$ 18,000	\$ 18,000

During the three months ended November 30, 2018, the Company reimbursed rent expense of \$5,500 (2018 - \$7,500) to a company controlled by Ian Rozier, CEO and director of the Company.

New Accounting Standards Adopted during the period

IFRS 16 – Leases

On January 13, 2016 the IASB issued IFRS 16 – Leases, which will supersede IAS 17 – Leases. The standard introduced 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.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits form the use of the asset during the term of the contract and it has the right to direct the use of the asset.

The right-of-use asset is subsequently amortized from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. The right-of-use asset may be

reduced due to impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments, and amounts expected to be payable at the end of the lease term.

IFRS 16 has changed how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet. Applying IFRS 16 for all except for short-term leases and leases of low-value assets, the Company will (1) recognize 'right-of-use' assets and lease liabilities in the balance sheet, initially measured at the present value of future lease payments discounted at the incremental borrowing rate; (ii) recognize depreciation of right-of-use assets and interest on lease liabilities in the statement of earnings; and (iii) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows. For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted. The Company has taken the exemptions related to short-term and low-value asset leases. Leases to explore for or use of minerals are not in the scope of the standard.

The Company adopted IFRS 16 using the modified retrospective basis and did not restate comparative amounts. However, the adoption of IFRS 16 had no impact on the financial statements on the date of adoption.

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 \$1,818,880 at November 30, 2019 (August 31, 2019 - \$2,492,426), which are level 1 fair value measurements.

Financial Risk Factors

The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework.

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 \$3,230,636, 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 November 30, 2019, the Company had a cash and equivalents balance of \$1,411,756, marketable securities of \$1,793,880 and short-term investments of \$25,000, to settle current liabilities of \$6,241. 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 \$200.

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 \$13,100.

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.

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 is 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.

Risk, Uncertainties and Outlook

As a company engage in the mineral resource acquisition and exploration industry, the Company is exposed to a number of risks, including the financial risks associated with no operating cash flow and therefore, must access when necessary, the capital markets to finance its activities.

There can be no assurances 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 a joint venture agreement to which it may become a party, and its interest in such a joint venture 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.

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 and warrants:

Outstanding Options:

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. 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.