



# **GRAY ROCK RESOURCES LTD.**

Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2015 and 2014

*(Unaudited)*

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed consolidated interim financial statements of Gray Rock Resources Ltd. (the "Company") are the responsibility of the Company's management. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and reflect management's best estimates and judgment based on information currently available.

Management has developed and is maintaining a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities, and reviews the results of the annual audit and review the condensed consolidated interim financial statements prior to their approval.

The condensed consolidated interim financial statements as at September 30, 2015 and 2014 and for the periods then ended have not been reviewed or audited by the Company's independent auditors.

*"David Wolfin"*

David Wolfin  
President & CEO  
November 30, 2015

*"Malcolm Davidson"*

Malcolm Davidson, CPA, CA  
Chief Financial Officer  
November 30, 2015

**Gray Rock Resources Ltd.**  
**Condensed Consolidated Interim Statements of Financial Position**  
**As at September 30, 2015 and December 31, 2014**  
**Expressed in Canadian Dollars (Unaudited)**

	Note	September 30, 2015	December 31, 2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 6,284	\$ 2,470
Other receivables		2,903	618
		9,187	3,088
<b>Non-Current Assets</b>			
Investment in Marketable Securities	4	3,857	3,192
Exploration and Evaluation Assets	5	294,387	295,708
Reclamation Deposit	6	3,000	3,000
<b>TOTAL ASSETS</b>		<b>\$ 310,431</b>	<b>\$ 304,988</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		\$ 28,435	\$ 34,683
Due to related parties	8	140,793	106,419
Loan from related party	8	30,000	30,000
		199,228	171,102
<b>Non-Current Liabilities</b>			
Site restoration obligation	6	3,000	3,000
		202,228	174,102
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	1,906,834	1,895,141
Contributed Surplus		10,750	-
Accumulated other comprehensive income		3,192	2,527
Deficit		(1,812,573)	(1,766,782)
		108,203	130,886
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 310,431</b>	<b>\$ 304,988</b>

Note 1 – Nature of Operations and Going Concern

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on November 30, 2015

\_\_\_\_\_  
“David Wolfin”                      **Director**                      \_\_\_\_\_  
“Lee Ann Wolfin”                      **Director**

*The accompanying notes are an integral part of the condensed consolidated interim financial statements*

**Gray Rock Resources Ltd.**  
**Condensed Consolidated Interim Statements of Operations and Comprehensive Loss**  
**For the three and nine months ended September 30, 2015 and 2014**  
**Expressed in Canadian Dollars (Unaudited)**

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2015	2014	2015	2014
<b>General and Administrative Expenses</b>					
Foreign exchange loss	\$	460	\$ 14	\$ 450	\$ 31
Interest and bank charges		43	44	196	125
Listing and filing fees		613	192	4,048	7,071
Office and miscellaneous		1,721	1,604	5,153	4,692
Automobile		53	-	107	-
Professional fees		5,788	2,499	12,237	9,757
Shareholder information		-	1,171	1,598	1,719
Transfer agent fees		2,940	2,852	4,717	4,218
Administrative fees		6,254	3,733	17,319	11,922
<b>Operating Loss</b>		<b>(17,872)</b>	<b>(12,109)</b>	<b>(45,825)</b>	<b>(39,535)</b>
<b>Other Income</b>					
Interest income		34	30	34	30
<b>Net Loss For The Period</b>		<b>(17,838)</b>	<b>(12,079)</b>	<b>(45,791)</b>	<b>(39,505)</b>
<b>Other Comprehensive Income</b>					
<b>Items that may be reclassified subsequently to income or loss</b>					
Unrealized gain (loss) on investment securities		(3,458)	(665)	665	(466)
<b>Total Comprehensive Loss</b>	\$	<b>(21,296)</b>	<b>\$ (12,744)</b>	<b>\$ (45,126)</b>	<b>\$ (39,971)</b>
<b>Basic and Diluted Loss per Share</b>	\$	<b>(0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted Average Number of Shares Outstanding</b>					
		12,523,657	11,464,961	11,761,939	11,464,961

*The accompanying notes are an integral part of the condensed consolidated interim financial statements*

**Gray Rock Resources Ltd.**  
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**  
**For the nine months ended September 30, 2015 and 2014**  
**Expressed in Canadian Dollars (Unaudited)**

	Note	Number of Common Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Equity
<b>Balance, January 1, 2014</b>		<b>11,464,961</b>	<b>\$ 1,895,141</b>	<b>\$ -</b>	<b>\$ (1,711,856)</b>	<b>\$ 2,860</b>	<b>\$ 186,145</b>
Net loss for the period		-	-	-	(39,505)	-	(39,505)
Other comprehensive loss for the period	4	-	-	-	-	(466)	(466)
<b>Balance, September 30, 2014</b>		<b>11,464,961</b>	<b>\$ 1,895,141</b>	<b>\$ -</b>	<b>\$ (1,751,361)</b>	<b>\$ 2,394</b>	<b>\$ 146,174</b>
<b>Balance, January 1, 2015</b>		<b>11,464,961</b>	<b>\$ 1,895,141</b>	<b>\$ -</b>	<b>\$ (1,766,782)</b>	<b>\$ 2,527</b>	<b>\$ 130,886</b>
Common shares issued for cash:							
Private placement		1,075,000	13,250	10,750	-	-	24,000
Share-issuance costs		-	(1,557)	-	-	-	(1,557)
Net loss for the period		-	-	-	(45,791)	-	(45,791)
Other comprehensive income for the period	4	-	-	-	-	665	665
<b>Balance, September 30, 2015</b>		<b>12,539,961</b>	<b>\$ 1,906,834</b>	<b>\$ 10,750</b>	<b>\$ (1,812,573)</b>	<b>\$ 3,192</b>	<b>\$ 108,203</b>

*The accompanying notes are an integral part of the condensed consolidated interim financial statements*

**Gray Rock Resources Ltd.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**For the nine months ended September 30, 2015 and 2014**  
**Expressed in Canadian Dollars (Unaudited)**

	September 30, 2015	September 30, 2014
<b>Cash (used in) provided by:</b>		
<b>Operating Activities:</b>		
Loss for the period	\$ (45,791)	\$ (39,505)
Changes in non-cash working capital items:		
Other receivables and prepaid expenses	(2,285)	(155)
Trade and other payables	(6,248)	3,803
Due to related parties	34,374	36,924
	(19,950)	1,067
<b>Financing Activities:</b>		
Issuance of common shares for cash, net	22,443	-
	22,443	-
<b>Investing Activities:</b>		
Additions to exploration and evaluation assets	1,321	(2,063)
	1,321	(2,063)
<b>Increase in Cash</b>	<b>3,814</b>	<b>(996)</b>
<b>Cash, Beginning of Period</b>	<b>2,470</b>	<b>5,561</b>
<b>Cash, End of Period</b>	<b>\$ 6,284</b>	<b>\$ 4,565</b>
<b>Supplementary Disclosure of Statements of Cash Flows Information</b>		
Interest Expense	\$ -	\$ -
Income Taxes	\$ -	\$ -

*The accompanying notes are an integral part of the condensed consolidated interim financial statements*

---

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2015 and 2014**  
**Expressed in Canadian Dollars (Unaudited)**

---

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Gray Rock Resources Ltd. (“Gray Rock” or the “Company”) was incorporated under the laws of the Province of British Columbia, Canada. It is in the exploration stage with regards to its business of exploration and development of mineral properties. The Company owns the Silver Stream mineral claim in British Columbia, Canada. The Company’s head office and principal place of business is Suite 900, 570 Granville Street, Vancouver, BC, Canada.

Gray Rock is in the exploration stage and has not yet determined whether the property contains ore reserves which are economically recoverable. The underlying carrying value of the mineral property interest and related exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, confirmation of Gray Rock’s interest in the mineral claims, the ability of Gray Rock to obtain necessary financing to complete the exploration and development, and future profitable production or proceeds from the sale of all or an interest in its mineral claims.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2015, the Company has a working capital deficit of \$190,041 and accumulated losses of \$1,812,573. The Company has not yet generated any revenues from its operations. The Company is required to raise new financing through the sale of shares or issuance of debt to continue with its operations and to develop its mineral properties. Although management intends to secure additional financing, there is no assurance that management will be successful in its efforts to secure additional financing or that it will ever develop a self-supporting business. These factors together may raise significant doubt about the Company’s ability to continue as a going concern. These condensed consolidated interim financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**2. BASIS OF PRESENTATION**

**Statement of Compliance**

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 - Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company, except for the accounting policies which have changed as a result of the adoption of new and revised standards and interpretations which are effective January 1, 2015. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company’s December 31, 2014 annual consolidated financial statements, which were prepared in accordance with IFRS as issued by the IASB.

**Basis of Presentation**

These condensed consolidated interim financial statements are expressed in Canadian dollars and have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting on a going concern basis. The accounting policies set out below have been applied consistently to all years presented in these condensed consolidated interim financial statements as if the policies have always been in effect.

---

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2015 and 2014**  
**Expressed in Canadian Dollars (Unaudited)**

---

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Significant Accounting Judgements and Estimates**

The Company's management makes judgements in its process of applying the Company's accounting policies to the preparation of its condensed consolidated interim financial statements. In addition, the preparation of financial data requires that the Company's management make assumptions and estimates of the impacts on the carrying amounts of the Company's assets and liabilities at the end of the reporting period from uncertain future events and on the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The critical judgments and estimates applied in the preparation of the Company's unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2015 are consistent with those applied and disclosed in Note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2014.

**Basis of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Cortez, a company incorporated on June 21, 2006 in Nevada, USA.

Inter-company balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

**Financial Instruments**

Financial assets and financial liabilities are recognized on the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

***Financial assets***

The Company classifies its financial assets into one of the following categories, at initial recognition depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss ("FVTPL")* - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the consolidated statement of operations. The Company has classified its cash as FVTPL.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company has no assets classified as loans and receivables.

---

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2015 and 2014**  
**Expressed in Canadian Dollars (Unaudited)**

---

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Financial assets (continued)***

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations. The Company did not hold any held-to-maturity investments as at September 30, 2015 and December 31, 2014.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale ("AFS"). They are carried at fair value with changes in fair value recognized in equity. Upon de-recognition, accumulated gain or loss is realized and reclassified from accumulated other comprehensive income to profit and loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of operations. The Company has classified its investments in marketable securities as AFS investments.

Transactions costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

*Impairment* - All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

*Effective interest method* - The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

*De-recognition of financial assets* - A financial asset is derecognized when the contractual right to the asset's cash flows expires, or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

***Financial liabilities and equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Company classifies its financial liabilities into one of two categories as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations. The Company did not hold any fair value through profit or loss financial liabilities as at September 30, 2015 and December 31, 2014.

---

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2015 and 2014**  
**Expressed in Canadian Dollars (Unaudited)**

---

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Financial liabilities and equity (continued)***

*Other financial liabilities* - This category includes amounts due to related parties, trade payables, and loan from related party, all of which are initially recognized at fair value and carried at amortized cost.

*De-recognition of financial liabilities* - The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or they expire.

*Share purchase warrants* - The Company bifurcates units consisting of common shares and share purchase warrants using the residual value approach, whereby it measures the common share component of the unit at fair value using market prices as input values and then allocates the residual value of the units over the fair value of the common shares to the warrant component. The value of the warrant component is credited to warrants reserve. When warrants are exercised, the corresponding value is transferred from warrant reserve to common stock.

The mandatory adoption of the following new and revised accounting standards and interpretations on January 1, 2015 had no significant impact on the Company's condensed consolidated interim financial statements for the periods presented:

**Annual improvements**

In December 2013, the IASB issued the Annual Improvements 2010-2012 and 2011-2013 cycles, effective for annual periods beginning on or after July 1, 2014.

The following accounting standards were issued but not yet effective as of September 30, 2015:

***IFRS 15 – Revenue from Contracts with Customers***

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its condensed consolidated interim financial statements.

***IFRS 9 – Financial Instruments***

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB tentatively determined that the revised effective date for IFRS 9 would be January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its condensed consolidated interim financial statements.

**IFRS 7 Financial instruments: Disclosure**

IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. The standard is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. The Company is currently evaluating the impact this standard is expected to have on its condensed consolidated interim financial statements.

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2015 and 2014**  
**Expressed in Canadian Dollars (Unaudited)**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**IFRS 10 Consolidated Financial Statements**

The amendments to IFRS 10 will require a full gain or loss to be recognized when a transaction involves a business (whether it is housed in a subsidiary or not), while a partial gain or loss would be recognized when a transaction involves assets that do not constitute a business, even if the assets are housed in a subsidiary. The amendments are effective for transactions occurring in annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact these amendments are expected to have on its condensed consolidated interim financial statements.

**Annual improvements**

In September 2014, the IASB issued the Annual Improvements 2012-2014 cycle, effective for annual periods beginning on or after July 1, 2016. These annual improvements made necessary but non-urgent amendments to existing IFRSs. These amendments are not expected to have a significant impact on the Company's condensed consolidated interim financial statements.

**4. INVESTMENT IN MARKETABLE SECURITIES**

Investment in marketable securities consists of the following:

	Number of Shares	Cost	Accumulated Unrealized Gains	September 30, 2015 Fair Value	December 31, 2014 Fair Value
(a) Levon Resources Ltd.	6,650	\$ 126	\$ 805	\$ 931	\$ 3,192
(b) SciVac Therapeutics Inc.	13,300	539	2,387	2,926	-
		\$ 665	\$ 3,192	\$ 3,857	\$ 3,192

*(a) Levon Resources Ltd. ("Levon")*

The Company's investment in Levon consists of 6,650 common shares with a quoted market value of \$931 as at September 30, 2015 (December 31, 2014 – 13,300 common shares with a quoted market value of \$3,192). During the nine months ended September 30, 2015, the Company and Levon ceased to be related after changes to Levon management and the termination of shared administrative services.

During the nine months ended September 30, 2015, Levon completed a transaction with SciVac Therapeutics Inc. ("SciVac") resulting in the exchange of 0.5 of a common share of Levon for each previous Levon common share held, and the issuance of one new SciVac common share for each previous Levon common share held.

*(b) SciVac Therapeutics Inc. ("SciVac")*

In July 2015, the Company received 13,300 common shares of SciVac as a result of its investment in Levon common shares as described above. The quoted market value of the Company's SciVac shares at September 30, 2015 was \$2,926.

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2015 and 2014**  
**Expressed in Canadian Dollars (Unaudited)**

**5. EXPLORATION AND EVALUATION ASSETS**

	<b>Silver Stream Property</b>
<b>Balance, December 31, 2013</b>	\$ 291,125
Exploration costs incurred during the year:	
Assays	526
Geological Consulting	3,877
Taxes and licensing	180
<b>Balance, December 31, 2014</b>	\$ 295,708
Exploration costs incurred during the period:	
Mining tax credit	(1,321)
<b>Balance, September 30, 2015</b>	\$ 294,387

**Silver Stream Claims**

The Company has a 100% interest in two mineral claims in the Lillooet mining district of British Columbia, subject to a 3% net smelter returns royalty, known as Silver Stream I and Silver Stream II claims, collectively the Silver Stream Claims.

The Company has entered into a mining lease agreement for the Silver Stream II property with Saxifrage Geological Services Ltd. ("Saxifrage"). In accordance with the terms of the agreement, Saxifrage has agreed to pay the Company an annual rental of \$10,000 for a term of seven years, with the first payment due on December 12, 2015. In addition, the Company granted Saxifrage an option to purchase the property for \$500,000 payable at any time during the term of the agreement, subject to a 5% Net Smelter Returns Royalty on metals and a 5% Gross Overriding Royalty on any jade production. Any future royalty payments due to the Company from Saxifrage after the exercise of option, shall be reduced by \$500,000.

**6. RECLAMATION DEPOSIT**

As at September 30, 2015, the Company has hypothecated a term deposit in the amount of \$3,000 (December 31, 2014 - \$3,000) as security to the Province of British Columbia for future mineral claims site reclamation costs.

**7. SHARE CAPITAL**

(a) Authorized: Unlimited common shares without par value.

(b) Issued:

In July 2015, the Company closed a non-brokered private placement of 500,000 units at a price of \$0.025 per unit with Mr. David Wolfen, the President and Chief Executive Officer and a director of the Company, for gross proceeds of \$12,500. Each unit consists of one common share and one non-transferrable share purchase warrant. Each warrant will entitle the investor to purchase one additional common share at \$0.05 for a term of two years expiring on July 3, 2017.

Prior to the Offering, Mr. Wolfen controlled, directly or indirectly, 15.53% of the total issued shares, or 18.79% on a fully diluted basis. Subsequent to this Offering, Mr. Wolfen will control 18.90% of the total issued shares, or 24.75% of the total issued shares on a fully diluted basis.

In May 2015, the Company closed a non-brokered private placement of 575,000 units at a price of \$0.02 per unit for gross proceeds of \$11,500. Each unit consists of one common share and one non-transferrable share purchase warrant. Each warrant will entitle the investor to purchase one additional common share at \$0.05 for a term of two years expiring on May 12, 2017.

---

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2015 and 2014**  
**Expressed in Canadian Dollars (Unaudited)**

---

**7. SHARE CAPITAL** (continued)

(c) Share purchase warrants

At September 30, 2015, the Company had 575,000 (December 31, 2014 - Nil) share purchase warrants outstanding. No share purchase warrants were exercised during the period.

(d) Stock option plan

The Company established a stock option plan under which it may grant stock options totalling in aggregate up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis, and to any one optionee in a 12 month period not to exceed 5% of the total number of shares issued and outstanding on a non-diluted basis. The stock option plan limits the options issuable within one year to regular employees and persons providing investor-relation or consulting services to 5% and 2% respectively of the Company's total number of issued and outstanding shares on a non-diluted basis on the date of grant.

The stock options are fully vestable on the date of grant. The option price must be greater or equal to the discounted market price on the grant date and the option expiry date cannot exceed five years after the grant date. The Company does not have any stock options outstanding as at September 30, 2015 and December 31, 2014.

**8. RELATED PARTY BALANCES, TRANSACTIONS, AND KEY MANAGEMENT COMPENSATION**

(a) Key management compensation

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the nine months ended September 30, 2015 and 2014 are as follows:

	2015	2014
Consulting fees, wages and benefits	\$ 8,238	\$ 3,237

(b) Due to related parties

As at September 30, 2015, \$140,793 (December 31, 2014 - \$106,419) was due to Oniva International Services Corp. ("Oniva"). The Company receives rent, office and administrative supplies, and services from Oniva, a private company related by common management.

The amounts due to related parties are non-interest bearing, unsecured, and due on demand.

(c) Loan from related party

The Company entered into a loan agreement with its director in the amount of \$30,000. As at September 30, 2015, \$30,000 (December 31, 2014 - \$30,000) of the loan payable was outstanding. The loan is non-interest bearing and is due on demand.

---

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2015 and 2014**  
**Expressed in Canadian Dollars (Unaudited)**

---

**8. RELATED PARTY BALANCES, TRANSACTIONS, AND KEY MANAGEMENT COMPENSATION**  
(continued)

(d) Related party transactions

During the nine months ended September 30, 2015, \$23,531 (2014 - \$17,307) was charged for office, occupancy and miscellaneous costs, salaries, and administrative services paid on behalf of the Company by Oniva. Further, the Company paid \$798 of administrative fees (2014 - \$391) to Oniva.

The Company takes part in a cost-sharing arrangement to reimburse Oniva for a variable percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of the Company, and to pay a percentage fee based on the total overhead and corporate expenses. The arrangement may be terminated with one-month notice by either party.

**9. FINANCIAL INSTRUMENTS**

The fair values of the Company's cash, investment in marketable securities, loan from related party, trade and other payables, and amounts due to related party approximate their carrying values because of the short-term nature of these instruments. The fair value of the Company's available for sale securities is detailed in Note 4.

The Company's financial instruments are exposed to certain financial risks comprising credit risk, liquidity risk, and market risk.

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company manages credit risk, in respect of cash, by maintaining the majority of cash at high credit rated Canadian financial institutions.

Concentration of credit risk exists with respect to the Company's cash, as the majority of the amounts are held with a single Canadian financial institution.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company has a working capital deficit of \$190,041 as at September 30, 2015 (December 31, 2014 - \$168,014), and requires additional financing to meet its current obligations.

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2015 and 2014**  
**Expressed in Canadian Dollars (Unaudited)**

**9. FINANCIAL INSTRUMENTS** (continued)

(c) Market Risk

Market risk consists of interest rate risk, foreign currency risk, and other price risk. These are discussed further below.

*Interest Rate Risk*

Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash is currently held in highly liquid short-term investments, and therefore, management considers the interest rate risk to be minimal.

*Foreign Currency Risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

At this time, the Company is not exposed to significant foreign currency risk as the company currently has minimal transactions and balances in currencies other than the Canadian dollars.

*Other Price Risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its investment in a related company as it is carried at fair value based on quoted market prices.

(d) Classification of Financial instruments

IFRS 7 '*Financial Instruments: Disclosures*' establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as at September 30, 2015:

	Level 1	Level 2	Level 3
Cash	\$ 6,284	\$ -	\$ -
Investment in marketable securities	3,857	-	-
	\$ 10,141	\$ -	\$ -

## **10. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its property and to maintain flexible capital structure for its projects for the benefit of its stakeholders. 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 or adjust the amount of cash. Management reviews the capital structure on an ongoing basis, and believes that this approach, given the relative size of the Company, is reasonable.