



GRAY ROCK RESOURCES LTD.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(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.

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

The condensed consolidated interim financial statements as at March 31, 2018, and for the periods ended March 31, 2018 and 2017, have not been reviewed or audited by the Company's independent auditors.

"David Wolfin"

David Wolfin
President & CEO
May 30, 2018

"Malcolm Davidson"

Malcolm Davidson, CPA, CA
Chief Financial Officer
May 30, 2018

Gray Rock Resources Ltd.
Condensed Consolidated Interim Statements of Financial Position
Expressed in Canadian Dollars

	Note	March 31, 2018 (Unaudited)	December 31, 2017
ASSETS			
Current Assets			
Cash		\$ 123,281	\$ 131,207
Sales taxes receivables and other		15,133	13,101
		138,414	144,308
Non-Current Assets			
Investments	3	2,926	3,920
Exploration and evaluation assets	4	303,848	303,348
Reclamation deposit	5	3,000	3,000
Website development costs		10,487	11,440
TOTAL ASSETS		\$ 458,675	\$ 466,016
LIABILITIES			
Current Liabilities			
Trade and other payables		\$ 14,275	\$ 14,754
Due to related parties	7	21,600	-
		35,875	14,754
Non-Current Liabilities			
Promissory notes issued to related parties	7	182,781	177,457
Site Restoration Obligation		3,000	3,000
		221,656	195,211
SHAREHOLDERS' EQUITY			
Share capital	6	4,172,472	4,172,472
Contributed Surplus		648,092	648,092
Accumulated other comprehensive income		2,261	3,255
Deficit		(4,585,806)	(4,553,014)
		237,019	270,805
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 458,675	\$ 466,016

Note 1 – Nature of Operations and Going Concern

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on May 30, 2018:

“David Wolfin” **Director** _____
“Brian Johnston” **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 months ended March 31, 2018 and 2017
Expressed in Canadian Dollars

	Note	March 31, 2018	March 31, 2017
General and Administrative Expenses			
Administrative fees		\$ 9,978	\$ 6,699
Automobile		159	26
Consulting fees		7,500	12,500
Depreciation		953	-
Foreign exchange (gain) loss		(273)	114
Interest and bank charges		27	112
Listing and filing fees		2,101	3,988
Office and miscellaneous		2,371	5,564
Professional fees		3,088	3,538
Share-based payments		-	468,800
Shareholder information		519	12,992
Transfer agent fees		1,005	2,115
Travel expense		40	4,139
Operating Loss		(27,468)	(520,587)
Other expenses			
Fair value adjustment for promissory note payable		(5,324)	(4,776)
Net Loss For The Period		(32,792)	(525,363)
Other Comprehensive Income			
Items that may be reclassified subsequently to income or loss			
Unrealized gain (loss) on investments	3	(994)	1,902
Total Comprehensive Loss		\$ (33,786)	\$ (523,461)
Basic and Diluted Loss per Share		\$ (0.00)	\$ (0.03)
Weighted Average Number of Shares Outstanding		22,960,941	18,636,072

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 Equity
For the three months ended March 31, 2018 and 2017
Expressed in Canadian Dollars

	Note	Number of Common Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Equity
Balance, January 1, 2017		16,394,961	\$ 2,033,711	\$ -	\$ (1,838,526)	\$ 2,644	\$ 197,829
Common shares issued for cash:							
Private placement	6(b)	1,000,000	300,000	-	-	-	300,000
Share-issuance costs		-	(14,993)	-	-	-	(14,993)
Exercise of warrants	6(b)	100,000	10,000	-	-	-	10,000
Common shares issued for mineral property	6(b)	4,000,000	1,560,000	-	-	-	1,560,000
Share-based compensation		-	-	468,800	-	-	468,800
Net loss for the period		-	-	-	(525,363)	-	(525,363)
Other comprehensive income for the period	3	-	-	-	-	1,902	1,902
Balance, March 31, 2017		21,494,961	\$ 3,888,718	\$ 468,800	\$ (2,363,889)	\$ 4,546	\$ 1,998,175
Balance, January 1, 2018		22,960,461	\$ 4,172,472	\$ 648,092	\$ (4,553,014)	\$ 3,255	\$ 270,805
Net loss for the period		-	-	-	(32,792)	-	(32,792)
Other comprehensive income for the period	3	-	-	-	-	(994)	(994)
Balance, March 31, 2018		22,960,461	\$ 4,172,472	\$ 648,092	\$ (4,585,806)	\$ 2,261	\$ 237,019

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 three months ended March 31, 2018 and 2017
Expressed in Canadian Dollars

	2018	2017
Cash (used in) provided by:		
Operating Activities		
Net Loss	\$ (32,792)	\$ (525,363)
Items not involving cash in the period		
Share-based compensation	-	468,800
Depreciation	953	-
Changes in non-cash working capital items:		
Other receivables and prepaid expenses	(2,032)	23,765
Trade and other payables	(479)	(6,599)
Due to related parties	21,600	18,286
	(12,750)	(21,111)
Financing Activities		
Issuance of common shares for cash, net	-	285,007
Issuance of common shares for mineral property	-	1,560,000
Exercise of warrants	-	10,000
Promissory notes issued to related parties	5,324	4,776
	5,324	1,859,783
Investing Activities		
Exploration and evaluation expenditures	-	-
Additions to website development costs	-	(1,500)
Additions to exploration and evaluation assets	(500)	(1,626,640)
	(500)	(1,628,140)
Increase (Decrease) in Cash	(7,926)	210,532
Cash, Beginning of Period	131,207	51,287
Cash, End of Period	\$ 123,281	\$ 261,819
Supplementary Disclosure of Cash Flow Information		
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 three months ended March 31, 2018 and 2017
Expressed in Canadian Dollars

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 claims 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 March 31, 2018, the Company has accumulated losses of \$4,585,806. The Company has not yet generated any revenues from its operations, and requires 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 form a material uncertainty that raises 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 unaudited 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, 2018. These condensed consolidated interim financial statements do not contain all of the financial 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, 2017 annual consolidated financial statements, which were prepared in accordance with IFRS as issued by the IASB.

Adoption of IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

On January 1, 2018, the Company adopted the requirements of IFRS 15. IFRS 15 covers principles that an entity shall apply to report useful information to users of the financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. As the Company does not have revenue and cash flows arising from a contract with a customer, there is no material impact to the consolidated interim financial statements.

Gray Rock Resources Ltd.
Notes to the condensed consolidated interim financial statements
For the three months ended March 31, 2018 and 2017
Expressed in Canadian Dollars

2. BASIS OF PRESENTATION (continued)

Adoption of IFRS 9 Financial Instruments (“IFRS 9”)

On January 1, 2018, the Company adopted the requirements of IFRS 9. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected-loss” impairment model. The Company adopted a retrospective approach, other than for hedge accounting, which is applied prospectively.

IFRS 9 did not impact the Company’s classification and measurement of financial assets and liabilities, and there was no significant impact on the carrying amounts of the Company’s financial instruments at the transition date. The Company had the option to designate its current equity securities as financial assets at fair value through other comprehensive income or loss, and has done so.

The introduction of the new ‘expected credit loss’ impairment model had negligible impact on the Company, given the Company has minimal receivables, with the majority being from GST recoverable from government agencies.

The Company currently has no hedging arrangements, and will apply the new accounting requirements under IFRS 9 as required.

Changes in accounting standards not yet effective:

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective. The following accounting standards were issued but not yet effective as of March 31, 2018:

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – Leases (“IFRS 16”) which replaces IAS 17 – Leases and its associated interpretative guidance, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The Company is currently evaluating the impact the final standard is expected to have on its condensed consolidated interim financial statements.

Significant Accounting Judgments and Estimates

The preparation of these condensed consolidated interim financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgements and estimates. The condensed consolidated interim financial statements include judgements and estimates, which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period, in which the estimate is revised, and may affect both current and future periods.

The critical judgments and estimates applied in the preparation of the Company’s unaudited condensed consolidated interim financial statements for the three months ended March 31, 2018, are consistent with those applied and disclosed in Note 2 to the Company’s audited consolidated financial statements for the year ended December 31, 2017

Functional Currency

The presentation and functional currency of the Company and its subsidiary is the Canadian dollar.

Gray Rock Resources Ltd.
Notes to the condensed consolidated interim financial statements
For the three months ended March 31, 2018 and 2017
Expressed in Canadian Dollars

2. BASIS OF PRESENTATION (continued)

Foreign Currency Translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the condensed consolidated interim statement of financial position. Non-monetary items that denominated in foreign currencies are translated at historical rates.

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.

3. INVESTMENTS

Investments consist of the following:

	Number of Shares	Cost	Accumulated Unrealized Gains	March 31, 2018 Fair Value	December 31, 2017 Fair Value
Levon Resources Ltd.	6,650	\$ 126	\$ 1,636	\$ 1,762	\$ 2,128
SciVac Therapeutics Inc.	333	539	625	1,164	1,792
		\$ 665	\$ 2,261	\$ 2,926	\$ 3,920

Gray Rock Resources Ltd.
Notes to the condensed consolidated interim financial statements
For the three months ended March 31, 2018 and 2017
Expressed in Canadian Dollars

4. EXPLORATION AND EVALUATION ASSETS

	Silver Stream Claims	Surprise Lake Claims	Hot Bath Claims	Total Mineral Property Claims
Balance, January 1, 2017	\$ 300,506	\$ -	\$ -	\$ 300,506
Acquisition costs	-	1,623,497	4,300	1,627,797
Exploration costs incurred during the period:				
Camp	-	-	31,920	31,920
Drilling	-	-	77,532	77,532
Geological and consulting	2,342	42,190	-	44,532
Taxes and licensing	500	-	30,000	30,500
Travel and transportation	-	-	88,960	88,960
Impairment write-down	-	(1,665,687)	(232,712)	(1,898,399)
Balance, December 31, 2017	\$ 303,348	\$ -	\$ -	\$ 303,348
Exploration costs incurred during the period:				
Taxes and licensing	500	-	-	500
Balance, March 31, 2018	\$ 303,848	\$ -	\$ -	\$ 303,848

a) 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 1 and Silver Stream 2 claims, collectively the Silver Stream Claims.

The Company has entered into a mining lease agreement for the Silver Stream 2 property with David R. Deering (“Deering”) and Saxifrage Geological Services Ltd. (“Saxifrage”). In accordance with the terms of the agreement, Deering and Saxifrage have 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. On December 12, 2015, the parties agreed that the first annual rental payment of \$10,000 would be postponed, added to the succeeding annual rentals, and paid in equal annual installments of \$2,000 starting December 12, 2016. In addition, the Company granted Deering and 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 Deering and Saxifrage after the exercise of option shall be reduced by \$500,000. On May 2, 2016, the parties further agreed that Deering and Saxifrage would perform exploration and development work of at least \$12,000 in value in lieu of the \$12,000 payment due on December 12, 2016.

In October 2017, the Company amended the existing mineral lease claim agreement for the Silver Stream I and II properties, by assigning and transferring to Marshall Creek Jade Inc. all rights, titles, interest and obligations from Saxifrage Geological Services Ltd.

Gray Rock Resources Ltd.
Notes to the condensed consolidated interim financial statements
For the three months ended March 31, 2018 and 2017
Expressed in Canadian Dollars

4. EXPLORATION AND EVALUATION ASSETS (continued)

b) Surprise Lake Property

In February 2017, the Company announced closing of a definitive agreement (the "Agreement") with DeCoors to acquire the Surprise Lake Property. The Agreement covers six early-stage mineral exploration properties comprising of 82 mineral claims. As consideration, the Company issued to DeCoors four million common shares and reimbursed DeCoors \$30,000 for its location and exploration costs on the Surprise Lake Property. In addition, DeCoors will retain a 1.5% net smelter returns royalty (the "NSR") on each of the purchased properties, until the Company has paid \$2.0 million under the NSR of any property placed into commercial production. Each NSR will be subject to the Company's exclusive option to purchase all of any part of the NSR at any time at the rate of \$666,667 for every one-third of a NSR (i.e., 0.5% NSR), or \$2.0 million in the aggregate for the total NSR.

At December 31, 2017, the Company conducted a comprehensive review of the property, and made the determination not to continue with exploration work at Surprise Lake. As such, the Company has written the property off and recorded an impairment expense of \$1,665,687.

c) Hot Bath Property

In August 2017, the Company announced that it had closed a binding option agreement (the "Option Agreement") with DeCoors Mining Corp. ("DeCoors") to acquire the Hot Bath Property, located near Dease Lake, British Columbia, comprising eleven mineral claims covering a total area of 3,634 hectares.

The Option Agreement allows the Company may make three option payments to DeCoors by the issuance of common shares of Gray Rock in three installments up to a total of 1,500,000 shares over three years. The first 150,000 of the 1,500,000 shares should be issued on or before the first anniversary of the Approval Date (being August 3, 2018). The next 450,000 shares should be issued on or before the second anniversary of the Approval Date, and the balance of 900,000 shares should be issued on or before the third anniversary of the Approval Date. DeCoors will retain a 1.5% net smelter return royalty (the "NSR") from commercial production. The Company may elect to reduce DeCoors' NSR to only 0.5% at any time prior to the commencement of commercial production, upon the payment of \$1,000,000 to DeCoors.

At December 31, 2017, the Company conducted a comprehensive review of the property, and made the determination not to continue with exploration work at Hot Bath. As such, the Company has written the property off and recorded an impairment expense of \$232,712.

5. RECLAMATION DEPOSIT

As at March 31, 2018 and December 31, 2017, the Company has hypothecated a term deposit in the amount of \$3,000 as security to the Province of British Columbia for future mineral claims site reclamation costs.

Gray Rock Resources Ltd.
Notes to the condensed consolidated interim financial statements
For the three months ended March 31, 2018 and 2017
Expressed in Canadian Dollars

6. SHARE CAPITAL

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

(b) Issued during 2018 and 2017:

In September 2017, the Company closed a non-brokered private placement of 640,500 units at a price of \$0.40 per unit for gross proceeds of \$256,200. Each unit consists of one common share and one half non-transferrable share purchase warrant. Each full warrant will entitle the investor to purchase one additional common share at \$0.60 for a term of one year expiring on September 15, 2018.

In February 2017, the Company issued 4,000,000 common shares valued at \$1,560,000 as part of the consideration to DeCoors for the acquisition of the Surprise Lake Property.

In February 2017, the Company closed a non-brokered private placement of 1,000,000 units at a price of \$0.30 per unit for gross proceeds of \$300,000. Each unit consists of one common share and one half non-transferrable share purchase warrant. Each full warrant will entitle the investor to purchase one additional common share at \$0.50 for a term of one year expiring on February 15, 2018.

(c) Share purchase warrants

At March 31, 2018, the Company had 4,250,450 (December 31, 2017 – 4,250,450) share purchase warrants outstanding and exercisable.

	Number of Warrants	Weighted Average Exercise Price
Outstanding and exercisable, December 31, 2016	4,330,000	\$0.06
Granted	845,450	\$0.54
Exercised	(925,000)	\$0.06
Outstanding and exercisable, December 31, 2017 and March 31, 2018	4,250,450	\$0.16

At March 31, 2018, weighted average remaining contractual life of warrants outstanding was 0.49 years (2017 – 0.74 years).

The following table summarizes information about the Company's warrants outstanding at March 31, 2018:

Expiry Date	Exercise Price	Warrants Outstanding and Exercisable
July 6, 2018	\$0.05	2,500,000
August 15, 2018	\$0.10	905,000
September 15, 2018	\$0.60	345,450
February 15, 2020	\$0.50	500,000

Gray Rock Resources Ltd.
Notes to the condensed consolidated interim financial statements
For the three months ended March 31, 2018 and 2017
Expressed in Canadian Dollars

6. SHARE CAPITAL (continued)

(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 a one year period 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 vested 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 can not exceed five years after the grant date.

Continuity of stock options for the three months ended March 31, 2018, is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, January 1, 2017	-	
Granted	1,985,000	\$0.40
Forfeited	(45,000)	\$0.39
Outstanding and exercisable, December 31, 2017 and March 31, 2018	1,940,000	\$0.40

As at December 31, 2016, no stock options were outstanding. The Company's first stock option grant was in February 2017.

Details of stock options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Options Outstanding and Exercisable
May 19, 2019	\$0.39	50,000
June 26, 2019	\$0.44	70,000
February 23, 2022	\$0.39	1,420,000
June 23, 2022	\$0.44	400,000

As at March 31, 2018, the weighted average remaining contractual life of stock options outstanding was 3.80 years.

Option pricing requires the use of highly subjective estimates and assumptions including the expected stock price volatility. The expected volatility used in valuing stock options is based on volatility observed in historical periods. Changes in the underlying assumptions can materially affect the fair value estimates.

Gray Rock Resources Ltd.
Notes to the condensed consolidated interim financial statements
For the three months ended March 31, 2018 and 2017
Expressed in Canadian Dollars

7. RELATED PARTY BALANCES, TRANSACTIONS, AND KEY MANAGEMENT COMPENSATION

(a) Key management compensation

During the year ended December 31, 2017, the Company entered into a consulting agreement with Intermark Capital Corp. ("Intermark") for the term of five years. The Company is required to pay Intermark a monthly fee of \$2,500.

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the three months ended March 31, 2018 and 2017 are as follows:

	2018		2017	
Consulting fees, wages and benefits	\$	9,723	\$	4,641
Share-based payments		-		328,000
	\$	9,723	\$	332,641

(b) Amounts due to related parties

In the normal course of operations the Company transacts with companies related to Avino's directors or officers. All amounts payable are non-interest bearing, unsecured, and due on demand. As at March 31, 2018 and December 31, 2017 the following amounts were due to related parties:

	March 31, 2018		December 31, 2017	
Oniva International Services Corp.	\$	13,725	\$	-
Intermark Capital Corp.		7,875		-
	\$	21,600	\$	-

(c) Promissory notes issued to related parties

	Intermark Capital Corp.		Oniva	
	2018	2017	2018	2017
Beginning balance	\$ 12,888	\$ 21,042	\$ 164,569	\$ 138,175
Borrowing	-	18,375	-	37,631
Repayment of the note	-	(30,000)	-	-
Loss on repayment of the note	-	8,327	-	-
Unwinding of the discount	386	631	4,938	17,613
Fair market value adjustment	-	(5,487)	-	(28,850)
Ending balance	\$ 13,274	\$ 12,888	\$ 169,507	\$ 164,569

As at March 31, 2018, \$234,637 (2017 - \$234,637) 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.

At December 31, 2017, the Company and Oniva agreed to convert the current portion due to Oniva of \$37,632, along with the existing \$197,005, to a long-term promissory note payable of \$234,637 that is non-interest bearing, unsecured, and due on demand after December 31, 2020.

Gray Rock Resources Ltd.
Notes to the condensed consolidated interim financial statements
For the three months ended March 31, 2018 and 2017
Expressed in Canadian Dollars

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

(c) Promissory notes issued to related parties (continued)

The fair value of the promissory note at March 31, 2018 was \$169,507 (2017 - \$164,569). The Company's calculations were performed using an interest rate of 12%, compounding quarterly over the three year period. The initial fair value adjustment of \$28,580 was recognized in the statement of operations and comprehensive loss. The Company further recorded expenses of \$4,938 related to the quarterly unwinding of the discount during the three months ended March 31, 2018 (2017 - \$17,613).

During the year ended December 31, 2017, the Company entered into a loan agreement with one of its directors. The Company and the director agreed to convert the current portion due to the director of \$18,375 to a long-term promissory note payable. The note payable is non-interest bearing, unsecured and is due on demand after December 31, 2020.

The fair value of the promissory note at March 31, 2018 was \$13,274. The Company's calculations were performed using an interest rate of 12%, compounding quarterly over the period. The initial fair value adjustment recognized in the three months ended March 31, 2018 of \$386 was recognized in the statement of operations and comprehensive loss.

(d) Related party transactions

During the three months ended March 31, 2018, \$12,253 (2017 - \$21,918) was charged for office, occupancy, miscellaneous costs and salaries, and administrative services paid on behalf of the Company by Oniva. Further, the Company paid \$319 of administrative fees (2017 - \$560) to Oniva and \$500 (2017 - \$500) for reimbursement of mineral claim taxes, license fees, and staking.

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.

8. FINANCIAL INSTRUMENTS

The fair values of the Company's cash, loan from a 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 investments is detailed in Note 3.

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.

Gray Rock Resources Ltd.
Notes to the condensed consolidated interim financial statements
For the three months ended March 31, 2018 and 2017
Expressed in Canadian Dollars

8. FINANCIAL INSTRUMENTS (continued)

(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. At March 31, 2018, the Company had cash in the amount of \$123,281 (December 31, 2017 - \$131,207) in order to meet short-term business requirements. At March 31, 2018, the Company had current liabilities of \$14,275 (December 31, 2017 – \$14,754). Accounts payable have contractual maturities of approximately 30 to 90 days, or are due on demand and are subject to normal trade terms.

The maturity profiles of the Company's contractual obligations and commitments as at March 31, 2018, are summarized as follows:

	Total	Less Than 1 Year	1-5 years	More Than 5 Years
Accounts payable and accrued liabilities	\$ 14,275	\$ 14,275	\$ -	\$ -
Due to related parties	274,612	21,600	253,012	-
Total	\$ 288,887	\$ 35,875	\$ 253,012	\$ -

(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.

Gray Rock Resources Ltd.
Notes to the condensed consolidated interim financial statements
For the three months ended March 31, 2018 and 2017
Expressed in Canadian Dollars

8. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

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 marketable securities, as they are 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 on a recurring basis by level within the fair value hierarchy as at March 31, 2018:

	Level 1	Level 2	Level 3
Cash	\$ 123,281	\$ -	\$ -
Investments	2,926	-	-
	\$ 126,207	\$ -	\$ -