



# **GRAY ROCK RESOURCES LTD.**

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

*(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, 2020, and for the periods ended March 31, 2020 and 2019, have not been reviewed or audited by the Company's independent auditors.

*"David Wolfin"*

David Wolfin  
President & CEO  
May 27, 2020

*"Nathan Harte"*

Nathan Harte, CPA  
Chief Financial Officer  
May 27, 2020

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

	Note	March 31, 2020 (Unaudited)	December 31, 2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 92,627	\$ 101,846
Sales taxes receivables and other		7,272	1,298
		99,899	103,144
<b>Non-Current Assets</b>			
Investments	3	90,012	189,118
Exploration and evaluation assets	4	306,844	306,844
Right-of-use asset	5	29,517	30,969
Reclamation deposit	6	3,000	3,000
Other assets		2,860	3,813
<b>TOTAL ASSETS</b>		<b>\$ 532,132</b>	<b>\$ 636,888</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		\$ 16,181	\$ 16,272
Current portion of lease liability	5	4,434	6,942
Due to related parties	8	19,478	-
		40,093	23,214
<b>Non-Current Liabilities</b>			
Promissory notes issued to related parties	8	234,845	227,996
Lease liability	5	25,880	24,027
Site restoration obligation		3,000	3,000
		303,818	278,237
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	4,297,472	4,297,472
Contributed surplus		486,092	503,692
Accumulated other comprehensive income		(503,453)	(404,346)
Deficit		(4,051,797)	(4,038,167)
		228,314	358,651
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 532,132</b>	<b>\$ 636,888</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 May 27, 2020:

\_\_\_\_\_  
“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, 2020 and 2019**  
**Expressed in Canadian Dollars**

	Note	March 31, 2020	March 31, 2019
<b>General and Administrative Expenses</b>			
Administrative benefits and salaries		\$ 6,445	\$ 9,966
Automobile		134	329
Consulting fees		5,000	7,500
Depreciation		2,405	954
Foreign exchange loss		7	-
Interest and bank charges		934	18
Listing and filing fees		1,750	1,300
Office and miscellaneous		4,887	5,168
Professional fees		2,303	1,397
Shareholder information		24	60
Transfer agent fees		492	677
Travel expense		-	53
<b>Operating Loss</b>		<b>(24,381)</b>	<b>(27,422)</b>
<b>Other expenses</b>			
Fair value adjustment for promissory note payable		(6,849)	(4,887)
<b>Net Loss For The Period</b>		<b>(31,230)</b>	<b>(32,309)</b>
<b>Other Comprehensive Gain (Loss)</b>			
Items that may be reclassified subsequently to income or loss:			
Unrealized gain (loss) on investments	<b>3</b>	(99,107)	(2,088)
<b>Total Comprehensive Loss</b>		<b>\$ (130,337)</b>	<b>\$ (34,397)</b>
<b>Basic and Diluted Loss per Share</b>		<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted Average Number of Shares Outstanding</b>		<b>22,260,941</b>	<b>22,960,941</b>

*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, 2020 and 2019**  
**Expressed in Canadian Dollars**

	Note	Number of Common Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Equity
<b>Balance, January 1, 2019</b>		<b>22,260,461</b>	<b>\$ 4,297,472</b>	<b>\$ 576,092</b>	<b>\$ (3,999,864)</b>	<b>\$ (429,014)</b>	<b>\$ 444,686</b>
Stock options cancelled or expired		-	-	(32,000)	32,000	-	-
Net loss for the period		-	-	-	(32,309)	-	(32,309)
Other comprehensive income for the period	<b>3</b>	-	-	-	-	(2,088)	(2,088)
<b>Balance, March 31, 2019</b>		<b>22,260,461</b>	<b>\$ 4,297,472</b>	<b>\$ 544,092</b>	<b>\$ (4,000,173)</b>	<b>\$ (431,102)</b>	<b>\$ 410,289</b>
<b>Balance, January 1, 2020</b>		<b>22,260,461</b>	<b>\$ 4,297,472</b>	<b>\$ 503,692</b>	<b>\$ (4,038,167)</b>	<b>\$ (404,346)</b>	<b>\$ 358,651</b>
Stock options cancelled or expired		-	-	(17,600)	17,600	-	-
Net loss for the period		-	-	-	(31,230)	-	(31,230)
Other comprehensive income for the period	<b>3</b>	-	-	-	-	(99,107)	(99,107)
<b>Balance, March 31, 2020</b>		<b>22,260,461</b>	<b>\$ 4,297,472</b>	<b>\$ 486,092</b>	<b>\$ (4,051,797)</b>	<b>\$ (503,453)</b>	<b>\$ 228,314</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 three months ended March 31, 2020 and 2019**  
**Expressed in Canadian Dollars**

	<b>2020</b>	<b>2019</b>
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Net Loss	\$ (31,230)	\$ (32,309)
Items not involving cash in the period		
Depreciation	2,405	954
Fair value adjustment for promissory note payable	6,849	4,887
Interest charges	907	-
Changes in non-cash working capital items:		
Sales taxes receivables and other	(5,974)	(4,198)
Trade and other payables	(91)	882
Due to related parties	19,478	21,655
	<b>(7,656)</b>	<b>(8,129)</b>
<b>Financing Activities</b>		
Finance lease payments	(1,563)	-
	<b>(1,563)</b>	<b>-</b>
<b>Investing Activities</b>		
Exploration and evaluation expenditures	-	(500)
	<b>-</b>	<b>(500)</b>
<b>Change in Cash</b>	<b>(9,219)</b>	<b>(8,629)</b>
<b>Cash, Beginning of Period</b>	<b>101,846</b>	<b>115,242</b>
<b>Cash, End of Period</b>	<b>\$ 92,627</b>	<b>\$ 106,613</b>
<b>Supplementary Disclosure of Cash Flow Information</b>		
Interest Expense	\$ -	\$ -
Income Taxes	\$ -	\$ -

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

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**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the three months ended March 31, 2020 and 2019**  
**Expressed in Canadian Dollars**

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**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, 2020, the Company has accumulated losses of \$4,051,797. 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, 2020. 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, 2019 annual consolidated financial statements, which were prepared in accordance with IFRS as issued by the IASB.

**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.

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the three months ended March 31, 2020 and 2019**  
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**2. BASIS OF PRESENTATION (continued)**

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, 2020, are consistent with those applied and disclosed in Note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2019

**Functional Currency**

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

**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 Gain/(Loss)	March 31, 2020 Fair Value	December 31, 2019 Fair Value
Discovery Metals Corp.	3,250	\$ 125	\$ 1,089	\$ 1,214	\$ 2,323
SciVac Therapeutics Inc.	332	539	(91)	448	595
Garibaldi Resources Corp	190,000	592,800	(504,450)	88,350	186,200
		\$ 593,464	\$ (503,452)	\$ 90,012	\$ 189,118



**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
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**4. EXPLORATION AND EVALUATION ASSETS**

Exploration and evaluation assets consist of the following:

	Silver Stream Claims
Balance, January 1, 2019	\$ 303,848
Exploration costs incurred during the period:	
Taxes and licensing	500
Geological	2,496
Balance, December 31, 2019	306,844
Exploration costs incurred during the period:	
Taxes and licensing	-
Balance, March 31, 2020	\$ 306,844

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.

During the year ended December 31, 2018, the Company received a notice from David Deering and Marshall Creek Jade Inc. to terminate the mineral claims lease agreement, as amended and assigned, for the Silver Stream Property.

The claims comprising the Silver Stream Claims remain in good standing until July 29, 2021.

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
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**5. LEASE LIABILITY & RIGHT-OF-USE ASSET**

(a) Right-of-use asset

The Company shares office space with other companies related to it by virtue of certain directors and management in common (Note 8(d)). During the year ended December 31, 2019, as a result of the adoption of IFRS 16, the Company recognized a right-of-use asset in relation to its share of office space lease allocated through Oniva International Services Corp.

	2020		2019	
Balance, beginning	\$	30,969	\$	-
Additions		-		30,969
Changes to lease terms		-		-
Depreciation		1,452		-
Balance, ending	\$	29,517	\$	30,969

(b) Lease liability

The contractual maturities and interest charges in respect of the Company's lease obligations in connection with its share of the office lease are as follows:

	March 31, 2020		December 31, 2019	
Not later than one year	\$	7,763	\$	7,351
Later than one year and not later than five years		31,904		31,865
Later than five years		671		2,686
Less: future interest charges		(10,025)		(10,932)
Present value of lease payments		30,314		30,969
Less: current portion		(4,434)		(6,942)
Non-current portion	\$	25,880	\$	24,027

(c) Amounts Recognized in Statement of Operations and Comprehensive Loss

Payments relating to short-term leases recognized as an expense during the three months ended March 31, 2020, totalled \$Nil (2019 - \$1,473).

Amounts Recognized in Statement of Cash Flows

Cash payments relating to short-term leases during the three months ended March 31, 2020, totalled \$Nil (2019 - \$1,473).

**6. RECLAMATION DEPOSIT**

As at March 31, 2020 and December 31, 2019, 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**  
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**7. SHARE CAPITAL**

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

(b) Issued during 2020 and 2019:

No shares were issued or returned in 2020 or 2019.

(c) Share purchase warrants

At March 31, 2020, the Company had 1,225,250 (December 31, 2019 – 1,725,250) share purchase warrants outstanding and exercisable. Continuity of share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding and exercisable, January 1, 2019	1,725,250	\$0.31
Expired	(500,000)	\$0.50
Outstanding and exercisable, December 31, 2019 and March 31, 2020	1,225,250	\$0.23

At March 31, 2020, weighted average remaining contractual life of warrants outstanding was 0.40 years (December 31, 2019 – 0.50 years).

The following table summarizes information about the Company's warrants outstanding at March 31, 2020:

Expiry Date	Exercise Price	Warrants Outstanding and Exercisable
August 15, 2020	\$0.10	905,000
September 15, 2020	\$0.60	320,250
		<b>1,225,250</b>

(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.

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
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**7. SHARE CAPITAL (continued)**

(d) Stock option plan (continued)

Continuity of stock options is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, January 1, 2019	1,715,000	\$0.40
Cancelled	(100,000)	\$0.39
Forfeited	(120,000)	\$0.44
Outstanding and exercisable, December 31, 2019	1,495,000	\$0.40
Forfeited	(55,000)	\$0.39
Outstanding and exercisable, March 31, 2020	1,440,000	\$0.40

Details of stock options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Options Outstanding and Exercisable
February 23, 2022	\$0.39	1,040,000
June 23, 2022	\$0.44	400,000
		<b>1,440,000</b>

As at March 31, 2020, the weighted average remaining contractual life of stock options outstanding was 1.99 years (December 31, 2019 – 2.24 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.

**8. RELATED PARTY TRANSACTIONS AND BALANCES**

(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 are as follows:

	Three months ended March 31,	
	2020	2019
Consulting fees, wages and benefits	\$ 7,744	\$ 9,537
Share-based payments	-	-
	<b>\$ 7,744</b>	<b>\$ 9,537</b>

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the three months ended March 31, 2020 and 2019**  
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**8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

(b) Amounts due to related parties

In the normal course of operations the Company transacts with companies related to its directors or officers. All amounts payable are non-interest bearing, unsecured, and due on demand. As at March 31, 2020 and December 31, 2019 the following amounts were due to related parties:

	March 31, 2020	December 31, 2019
Oniva International Services Corp.	\$ 14,228	\$ -
Intermark Capital Corp.	5,250	-
	<u>\$ 19,478</u>	<u>\$ -</u>

(c) Promissory notes issued to related parties

	Intermark Capital Corp.		Oniva	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Beginning balance	\$ 29,458	\$ 7,364	\$ 198,538	\$ 155,512
Borrowing	-	31,500	-	61,345
Repayment of the note	-	-	-	-
Loss on repayment of the note	-	-	-	-
Unwinding of the discount	884	924	5,955	19,518
Fair market value adjustment	-	(10,330)	-	(37,837)
Ending balance	<u>\$ 30,342</u>	<u>\$ 29,458</u>	<u>\$ 204,493</u>	<u>\$ 198,538</u>

As at March 31, 2020, \$297,296 (December 31, 2019 - \$283,068) 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, 2019, the Company and Oniva agreed to convert the current portion due to Oniva of \$61,345, along with the existing \$221,723, to a long-term promissory note payable of \$283,068 that is non-interest bearing, unsecured, and due on demand after December 31, 2022.

The fair value of the promissory note at March 31, 2020 was \$204,493 (December 31, 2019 - \$198,538), reflecting a fair market interest rate. 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 \$37,837 was recognized in the statement of operations and comprehensive income (loss). The Company further recorded expenses of \$5,955 related to the quarterly unwinding of the discount during the three months ended March 31, 2020 (2019 - \$4,665).

During the year ended December 31, 2019, 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 \$31,500 to a long-term promissory note payable. The note payable is non-interest bearing, unsecured and is due on demand after December 31, 2022.

The fair value of the promissory note at March 31, 2020 was \$30,342 (December 31, 2019 - \$29,458) The Company's calculations were performed using an interest rate of 12%, compounding quarterly over the period. The initial fair value adjustment of \$10,330 was recognized in the statement of operations and comprehensive loss. The Company further recorded expenses of \$884 related to the quarterly unwinding of the discount during the three months ended March 31, 2020 (2019 - \$222).

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
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**8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

(d) Related party transactions

During the three months ended March 31, 2020, \$13,557 (2019 - \$16,123) was charged for office, occupancy, miscellaneous costs and salaries, and administrative services paid on behalf of the Company by Oniva. Further, the Company paid \$330 of administrative fees during the three months ended March 31, 2020 (2019 - \$320) to Oniva and \$Nil (2019 - \$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.

**9. 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, and promissory notes payable are detailed in Note 8.

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. At March 31, 2020, the Company had cash in the amount of \$92,627 (December 31, 2019 - \$101,846) in order to meet short-term business requirements. At March 31, 2020, the Company had current liabilities of \$40,093 (December 31, 2019 - \$23,214). 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, 2020, are summarized as follows:

	<b>Total</b>	<b>Less Than 1 Year</b>	<b>1-5 years</b>	<b>More Than 5 Years</b>
Accounts payable and accrued liabilities	\$ 16,181	\$ 16,181	\$ -	\$ -
Due to related parties	19,478	19,478	-	-
Promissory notes payable to related parties	234,845	-	234,845	-
<b>Total</b>	<b>\$ 270,504</b>	<b>\$ 35,659</b>	<b>\$ 234,845</b>	<b>\$ -</b>

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**Gray Rock Resources Ltd.**  
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**9. FINANCIAL INSTRUMENTS**

(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 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).

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**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the three months ended March 31, 2020 and 2019**  
**Expressed in Canadian Dollars**

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**9. FINANCIAL INSTRUMENTS (continued)**

(d) Classification of financial instruments (continued)

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, 2020:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash	\$ 92,627	\$ -	\$ -
Investments	90,012	-	-
	<b>\$ 182,639</b>	<b>\$ -</b>	<b>\$ -</b>