



The following discussion and analysis of the operations, results, and financial position of Gray Rock Resources Ltd. (the "Company" or "Gray Rock") should be read in conjunction with the Company's condensed consolidated interim financial statements for the three months ended March 31, 2019, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the notes thereto.

This Management Discussion and Analysis ("MD&A") is dated May 30, 2019 and discloses specified information up to that date. Gray Rock is classified as a "venture issuer" for the purposes of National Instrument 51-102.

We recommend that readers consult the "Cautionary Statement" on the last page of this report.

Additional information relating to the Company can be obtained by contacting David Wolfen, the President & CEO of the Company, on SEDAR at www.sedar.com, or on the Company's website at www.grayrockresources.com.

Business Overview

Gray Rock Resources Ltd. ("the Company") was incorporated under the laws of the Province of British Columbia. Its principal business comprises the exploration for and development of mineral properties.

The Company is in the exploration stage. The common shares of the Company commenced trading on the TSX Venture Exchange on November 29, 2006 under trading symbol GRK. The Company is classified as a Mineral Exploration company. The financial statements, to which this MD&A relates, have been prepared on a going concern basis, which presumes the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. The Company has working capital of \$73,468 at March 31, 2019 and has accumulated losses of \$4,000,173 since incorporation. The Company's ability to meet its obligations and maintain its operations is contingent upon additional financing or profitable operations in the future.

Overall Performance

Silver Stream Property

Located 25km northeast of Bralorne, B.C., in the Lillooet mining district of British Columbia, the Company holds 100% tenure in the Silver Stream I and II mineral claims (the "Silver Stream Property"). First explored in 1988, the Silver Stream Property has produced a number of anomalous-to-significant gold showings in sampling, trenching, and drilling. Although still an "early-stage" property, a July 2006 Technical Report filed on SEDAR states: "...the nature of the mineralization seen in the known showings in the context of the Bridge River camp show the property has good potential to develop economic gold mineralization."

The renowned Bralorne gold mine, which produced 4.1 million ounces of gold between 1932 and 1971, lies about 25 kilometers southwest of Silver Stream. The average grade of the Bralorne mine complex was 0.52 opt gold, and it remains the largest historic gold producer of the Canadian Cordillera.



Documented gold exploration on the Silver Stream Project, undertaken between 1987 and 2014, has involved approximately 1,759m of diamond drilling in 10 holes, hand and excavator trenching, mapping, rock geochemistry, and reconnaissance and grid soil geochemistry. Two significant zones of gold mineralization have been discovered, the Silverstream West and Southeast zones.

The Company had 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.



Review of Operations

Three months ended March 31, 2019 compared with the three months ended March 31, 2018.

	2019	2018	Note
General and Administrative Expenses			
Administrative benefits and salaries	\$ 9,966	\$ 9,978	
Automobile	329	159	
Consulting fees	7,500	7,500	
Depreciation	954	953	
Foreign exchange gain	-	(273)	
Interest and bank charges	18	27	
Listing and filing fees	1,300	2,101	
Office and miscellaneous	5,168	2,371	1
Professional fees	1,397	3,088	2
Shareholder information	60	519	
Transfer agent fees	677	1,005	3
Travel expenses	53	40	
Operating Loss	(27,422)	(27,468)	
Other Income			
Fair value adjustment for promissory notes payable	(4,887)	(5,324)	4
Net Loss For The Period	(32,309)	(32,792)	5
Other Comprehensive Loss			
Items that may be reclassified subsequently to income or loss:			
Unrealized loss on investments	(2,088)	(994)	
Total Comprehensive Loss	(34,397)	(33,786)	
Basic and Diluted Loss per Share	\$ (0.00)	\$ (0.00)	5
Weighted Average Number of Shares Outstanding	22,260,941	22,960,941	

1. During the three months ended March 31, 2019, office and miscellaneous expenses were \$5,168 compared to \$2,371 for the quarter ended March 31, 2018. During the quarter, the Company made some necessary IT upgrades, as well as increased rent costs for the Company's office space.
2. During the three months ended March 31, 2019, professional fees were \$1,397, compared to \$3,088 in the three months ended March 31, 2018. The reduction is a result of less legal costs that were associated with closing the settlement agreement for the Surprise Lake property, with no comparable transaction occurring in the current period.
3. During the three months ended March 31, 2019, transfer agent fees were \$677 compared to \$1,005. The decrease is due to less transfer agent services required in the current period, as there was not any significant share activity, compared to the prior period.



4. The fair value adjustment for promissory notes payable fluctuates with the fair value calculations of each note payable. The Company currently has \$167,673 in promissory notes payable to related parties as at March 31, 2019.
5. As a result of the transactions in the period, net loss of \$32,309 for the three months ended March 31, 2019, has remained fairly constant compared to net loss of \$32,792 for the three months ended March 31, 2018. The change in net loss had no impact on the loss per share.

Summary of Quarterly Results

Quarter ended	2019	2018	2018	2018	2018	2017	2017	2017
	Mar. 31 Q1	Dec. 31 Q4	Sep. 30 Q3	Jun. 30 Q2	Mar. 31 Q1	Dec. 31 Q4	Sep. 30 Q3	Jun. 30 Q2
Total Revenue	-	-	-	-	-	-	-	-
Net income (loss)	(32,309)	(4,361)	(44,671)	562,974	(32,792)	(1,902,591)	(33,267)	(253,267)
Other comprehensive loss	(2,088)	(160,344)	(238,609)	(32,321)	(994)	(51)	(166)	(1,074)
Basic and diluted (loss) per Share	(0.00)	(0.00)	(0.00)	0.03	(0.00)	(0.09)	(0.00)	(0.01)
Total Assets	618,983	626,457	789,165	1,038,231	458,675	466,016	2,723,380	2,168,573

The overall increase in income during the second quarter of 2018 is a direct result of the Company completing the settlement associated with disposing of the Surprise Lake and Hot Bath. The Company received 200,000 common shares of Garibaldi Resources (“GGI”), which were recorded at their fair value on the date of acquisition, resulting in a cost recovery of \$624,000. Movements in other comprehensive loss in the third and fourth quarters of 2018 were primarily driven by changes in the value of the 200,000 common shares of GGI.

The increase in expenses during the quarter ended December 31, 2017 is a result of the Company recording impairment expenses of \$1,898,399 on the Surprise Lake and Hot Bath properties during the period.

The increases in the second quarter of 2017, are a direct result of the Company granting 520,000 stock options, respectively, to officers, directors, consultants, and employees, and recognizing \$166,800, respectively, in share-based compensation expense during the quarter.

Management expects to continue to keep the operating costs of the Company to a minimum until such time as it resumes exploration activities and recommences exploration on the Silver Stream, or other properties.

Liquidity and Capital Resources

Historically, the Company has raised funds through equity financing to fund its operations. At March 31, 2019, the Company had a cash balance of \$106,613, working capital of \$73,468, and accumulated losses of \$4,000,173 since incorporation. The Company’s ability to meet its obligations and maintain its operations is contingent upon additional financing or profitable operations in the future. However, there can be no assurance that the Company will be able to obtain additional financing, or achieve profitability or positive cash flow. If the Company is unable to generate positive cash flow or obtain adequate financing, the Company will need to further decrease its operations and exploration activities.



During the three months ended March 31, 2019, the Company did not undertake any financing activities.

The Company is reviewing other financing options to raise capital in 2019 to meet its current and future obligations and operating expenses. Mineral exploration and development is capital extensive, and in order to maintain its interest the Company will be required to raise new equity capital in the future. There is no assurance that the Company will be successful in raising additional new equity capital.

The Company is in the exploration stage. The investment in and expenditures on the mineral properties comprise substantially all of the Company's assets. The recoverability of amounts shown for its mineral property interest and related deferred costs and the Company's ability to continue as a going concern is dependent upon the continued support from its directors, the discovery of economically recoverable reserves, and the ability of the Company to obtain the financing necessary to complete development and achieve profitable operations in the future. The outcome of these matters cannot be predicted at this time.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Related Party Transactions

(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, 2019 and 2018, are as follows:

	Three months ended March 31,	
	2019	2018
Consulting fees, wages and benefits	\$ 9,537	\$ 9,723
Share-based payments	-	-
	\$ 9,537	\$ 9,723



(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, 2019 and December 31, 2018 the following amounts were due to related parties:

	March 31, 2019	December 31, 2018
Oniva International Services Corp.	\$ 13,780	\$ -
Intermark Capital Corp.	7,875	-
	\$ 21,655	\$ -

(c) Promissory notes issued to related parties

	Intermark Capital Corp.		Oniva	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Beginning balance	\$ 7,364	\$ 12,888	\$ 155,512	\$ 164,569
Borrowing	-	10,500	-	24,718
Repayment of the note	-	(18,375)	-	(37,632)
Loss on repayment of the note	-	4,702	-	9,630
Unwinding of the discount	222	785	4,665	18,950
Fair market value adjustment	-	(3,136)	-	(24,723)
Ending balance	\$ 7,586	\$ 7,364	\$ 160,177	\$ 155,512

As at March 31, 2019, \$235,502 (December 31, 2018 - \$221,723) 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, 2018, the Company and Oniva agreed to convert the current portion due to Oniva of \$24,718, along with the existing \$197,005, to a long-term promissory note payable of \$221,723 that is non-interest bearing, unsecured, and due on demand after December 31, 2021.

The fair value of the promissory note at March 31, 2019 was \$160,177 (December 31, 2018 - \$155,512), 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 \$24,723 was recognized in the statement of operations and comprehensive loss. The Company further recorded expenses of \$4,665 related to the quarterly unwinding of the discount during the three months ended March 31, 2019 (2018 - \$4,938).

During the year ended December 31, 2018, 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 \$10,500 to a long-term promissory note payable. The note payable is non-interest bearing, unsecured and is due on demand after December 31, 2021.

The fair value of the promissory note at March 31, 2019 was \$7,586 (December 31, 2018 - \$7,364) The Company's calculations were performed using an interest rate of 12%, compounding quarterly over the period. The initial fair value adjustment of \$3,136 was recognized in the statement of operations and comprehensive loss. The Company further recorded expenses of \$222 related to the quarterly unwinding of the discount during the three months ended March 31, 2019 (2018 - \$386).



(d) Related party transactions

During the three months ended March 31, 2019, \$16,123 (2018 - \$12,253) was charged for office, occupancy, miscellaneous costs and salaries, and administrative services paid on behalf of the Company by Oniva. Further, the Company paid \$320 of administrative fees during the three months ended March 31, 2019 (2018 - \$319) to Oniva and \$500 (2018 - \$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.

Critical Judgments and Estimates

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenues and expenses for the periods reported. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period they become known.

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 and promissory notes payable are detailed in the notes to the condensed consolidated interim financial statements.

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, 2019, the Company had cash in the amount of \$106,613 (December 31, 2018 - \$115,242) in order to meet short-term business requirements. At March 31, 2019, the Company had current liabilities of \$38,432 (December 31, 2018 - \$15,895). 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, 2019, are summarized as follows:

	Total	Less Than 1 Year	1-5 years	More Than 5 Years
Accounts payable and accrued liabilities	\$ 16,777	\$ 16,777	\$ -	\$ -
Due to related parties	21,655	21,655	-	-
Promissory notes payable to related parties	167,763	-	167,763	-
Total	\$ 206,195	\$ 38,432	\$ 167,763	\$ -

(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).

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, 2019:

	Level 1	Level 2	Level 3
Cash	\$ 106,613	\$ -	\$ -
Investments	193,563	-	-
	\$ 300,176	\$ -	\$ -

Risks

Mineral exploration and development involve a high degree of risk and few properties are ultimately developed into producing mines. There is no assurance that the Company's future exploration and development activities will result in any discoveries of commercial bodies of ore. Whether an ore body will be commercially viable depends on a number of factors including the particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as mineral prices and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in a mineral deposit being unprofitable.

Outstanding Share Data

The Company's authorized share capital consists of unlimited common shares without par value.

As at May 30, 2019, the following common shares, warrants and stock options were outstanding:

	Number of shares	Exercise price	Remaining life (years)
Share capital	22,260,461	-	-
Warrants	1,725,250	\$0.10 - \$0.60	0.72 – 1.30
Stock options	1,565,000	\$0.39 - \$0.44	0.07 – 3.07
Total	25,550,711		

The following are details of outstanding warrants as at March 31, 2019, and May 30, 2019:

Expiry Date	Exercise Price Per Share	Number of Underlying Shares (March 31, 2019)	Number of Underlying Shares (May 30, 2019)
February 15, 2020	\$0.50	500,000	500,000
August 15, 2020	\$0.10	905,000	905,000
September 15, 2020	\$0.60	320,250	320,250
Total:		1,725,250	1,725,250



The following are details of outstanding stock options as at March 31, 2019, and May 30, 2019:

Expiry Date	Exercise Price Per Share	Number of Shares Remaining Subject to Options (March 31, 2019)	Number of Shares Remaining Subject to Options (May 30, 2019)
May 19, 2019	\$0.39	50,000	-
June 26, 2019	\$0.44	70,000	70,000
February 23, 2022	\$0.39	1,095,000	1,095,000
June 23, 2022	\$0.44	400,000	400,000
Total:		1,615,000	1,565,000

Application of new and revised accounting standards

Adoption of IFRS 16 Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16 – Leases (“IFRS 16”) which replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract based on whether the customer controls the asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. A lessee can choose to apply IFRS 16 using either a full retrospective approach or a modified retrospective approach. The Company has applied IFRS 16 at the date it becomes effective using a modified retrospective approach. By applying this method, the comparative information for the 2018 fiscal year has not been restated.

At the inception of a contract, the Company assesses whether a contract is or contains a lease. If so, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which consists of:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date
- Any indirect costs incurred
- An estimate of costs to dismantle or remove the underlying asset or to restore the site on which the asset is located
- Any incentives received from the lessor

The Company has elected not to recognize right of use assets and lease liabilities for short-term lease that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases are expensed on a straight-line basis over the lease term.

The Company has reviewed all existing leases and concluded that all leases that were previously expensed over the lease term where considered to be either short-term leases or leases of low value assets, and therefore there is no impact to the consolidated financial statements upon adoption of IFRS 16.

Adoption of IFRIC 23 Uncertainty over Income Tax Treatments (“IFRIC 23”)

On June 7, 2017, the IASB issued IFRIC 23 *Uncertainty over Income Tax Treatments*. The interpretation provides guidance on the accounting for current and deferred income tax liabilities and assets when there is uncertainty over income tax treatments. IFRIC 23 was applicable for



annual periods beginning on or after January 1, 2019.

IFRIC 23 requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. The Interpretation is effective for annual periods beginning on or after January 1, 2019.

The Company adopted IFRIC 23 in its consolidated financial statements for the annual period beginning on January 1, 2019, with no impact on the financial statements.

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for evaluating the effectiveness of the Company's disclosure controls and procedures and have concluded, based on our evaluation, that they are effective as at March 31, 2019 to ensure that information required to be disclosed in reports filed or submitted under Canadian securities legislation is recorded, processed, summarized, and reported within the time period specified in those rules and regulations.

Approval

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

Cautionary Statement

This MD&A is based on a review of the Company's operations, financial position, and plans for the future based on facts and circumstances as of May 30, 2019. Except for historical information or statements of fact relating to the Company, this document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change. These statements involve known and unknown risks, uncertainties, and other factor that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.