



# **GRAY ROCK RESOURCES LTD.**

For the nine months ended September 30, 2016 and 2015

*(Unaudited)*

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

The condensed consolidated interim financial statements as at September 30, 2016 and 2015 and for the periods then ended have not been reviewed or audited by the Company's independent auditors.

*"David Wolfin"*

David Wolfin  
President & CEO  
November 28, 2016

*"Malcolm Davidson"*

Malcolm Davidson, CPA, CA  
Chief Financial Officer  
November 28, 2016

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

	Note	September 30, 2016 (unaudited)	December 31, 2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 73,466	\$ 5,759
Other receivables and prepaid expenses		12,243	510
		85,709	6,269
<b>Non-Current Assets</b>			
Investments	3	4,769	3,458
Exploration and Evaluation Assets	4	300,506	294,387
Reclamation Deposit	5	3,000	3,000
<b>TOTAL ASSETS</b>		<b>\$ 393,984</b>	<b>\$ 307,114</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		\$ 22,528	\$ 31,798
Due to related parties	7	-	149,487
Loan from related party	7	-	30,000
		22,528	211,285
<b>Non-Current Liabilities</b>			
Due to related parties	7	186,918	-
Loan from related party	7	30,000	-
Site Restoration Obligation		3,000	3,000
		242,446	214,285
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	2,034,194	1,917,584
Accumulated other comprehensive income		4,104	2,793
Deficit		(1,886,760)	(1,827,548)
		151,538	92,829
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 393,984</b>	<b>\$ 307,114</b>

Note 1 – Nature of Operations and Going Concern

These consolidated financial statements are authorized for issue by the Board of Directors on November 28, 2016:

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

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

**Gray Rock Resources Ltd.**  
**Condensed Consolidated Interim Statements of Operations and Comprehensive Loss**  
**For the three and nine months ended September 30, 2016 and 2015**  
**Expressed in Canadian Dollars (Unaudited)**

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2016	2015	2016	2015
<b>General and Administrative Expenses</b>					
Professional fees	\$	7,580	\$ 5,788	\$ 15,745	\$ 12,237
Administrative fees		6,139	6,254	17,213	17,319
Listing and filing fees		2,739	613	7,237	4,048
Office and miscellaneous		2,802	1,721	7,629	5,153
Transfer agent fees		4,080	2,940	7,115	4,717
Shareholder information		2,582	-	3,824	1,598
Foreign exchange gain		235	460	214	450
Interest and bank charges		59	43	149	196
Automobile		25	53	86	107
<b>Operating Loss</b>		(26,241)	(17,872)	(59,212)	(45,825)
<b>Other Income</b>					
Interest income		-	34	-	34
<b>Net Loss For The Period</b>		(26,241)	(17,838)	(59,212)	(45,791)
<b>Other Comprehensive Income</b>					
<b>Items that may be reclassified subsequently to income or loss</b>					
Unrealized gain (loss) on investment securities		1,274	(3,458)	1,311	665
<b>Total Comprehensive Loss</b>	\$	(24,967)	\$ (21,296)	\$ (57,901)	\$ (45,126)
<b>Basic and Diluted Loss per Share</b>	\$	(0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
<b>Weighted Average Number of Shares Outstanding</b>					
		15,570,722	12,523,627	13,557,589	11,761,939

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

**Gray Rock Resources Ltd.**  
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**  
**For the nine months ended September 30, 2016 and 2015**  
**Expressed in Canadian Dollars (Unaudited)**

	Note	Number of Common Shares	Share Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Equity
<b>Balance, January 1, 2015</b>		<b>11,464,961</b>	<b>\$ 1,895,141</b>	<b>\$ (1,766,782)</b>	<b>\$ 2,527</b>	<b>\$ 130,886</b>
Common shares issued for cash:						
Private placement		1,075,000	24,000	-	-	24,000
Share-issuance costs		-	(1,557)	-	-	(1,557)
Net loss for the period		-	-	(45,791)	-	(45,791)
Other comprehensive income for the period	3	-	-	-	665	665
<b>Balance, September 30, 2015</b>		<b>12,539,961</b>	<b>\$ 1,917,584</b>	<b>\$ (1,812,573)</b>	<b>\$ 3,192</b>	<b>\$ 108,203</b>
<b>Balance, January 1, 2016</b>		<b>12,539,961</b>	<b>\$ 1,917,584</b>	<b>\$ (1,827,548)</b>	<b>\$ 2,793</b>	<b>\$ 92,829</b>
Common shares issued for cash:						
Private placement		3,555,000	102,750	-	-	102,750
Share-issuance costs		-	(1,140)	-	-	(1,140)
Exercise of warrants		300,000	15,000	-	-	15,000
Net loss for the period		-	-	(59,212)	-	(59,212)
Other comprehensive income for the period	3	-	-	-	1,311	1,311
<b>Balance, September 30, 2016</b>		<b>16,394,961</b>	<b>\$ 2,034,194</b>	<b>\$ (1,886,760)</b>	<b>\$ 4,104</b>	<b>\$ 151,538</b>

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

**Gray Rock Resources Ltd.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**For the nine months ended September 30, 2016 and 2015**  
**Expressed in Canadian Dollars (Unaudited)**

	<b>2016</b>	<b>2015</b>
<b>CASH (USED IN) PROVIDED BY:</b>		
<b>Operating Activities</b>		
Net Loss	\$ (59,212)	\$ (45,791)
Changes in non-cash working capital items:		
Other receivables and prepaid expenses	(12,733)	(2,285)
Trade and other payables	(9,270)	(6,248)
Due to related parties	37,431	34,374
	<b>(42,784)</b>	<b>(19,950)</b>
<b>Financing Activities:</b>		
Issuance of common shares for cash, net	101,610	22,443
Exercise of warrants	15,000	-
	<b>116,610</b>	<b>22,443</b>
<b>Investing Activities</b>		
Exploration and evaluation expenditures	(6,119)	1,321
	<b>(6,119)</b>	<b>1,321</b>
<b>Increase in Cash</b>	<b>67,707</b>	<b>3,814</b>
<b>Cash, Beginning of Period</b>	<b>5,759</b>	<b>2,470</b>
<b>Cash, End of Period</b>	<b>\$ 73,466</b>	<b>\$ 6,284</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 nine months ended September 30, 2016 and 2015**  
**Expressed in Canadian Dollars (Unaudited)**

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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 consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2016, the Company has working capital of \$63,181 and accumulated losses of \$1,886,760. 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 consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of Compliance**

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

**Basis of Presentation**

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

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**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2016 and 2015**  
**Expressed in Canadian Dollars (Unaudited)**

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

**Basis of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Cortez, a company incorporated on June 21, 2006 in Nevada, USA. Inter-company balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

**Financial Instruments**

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

***Financial assets***

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

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

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

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

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

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations. The Company did not hold any held-to-maturity investments as at September 30, 2016 and December 31, 2015.



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**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2016 and 2015**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

***Financial liabilities and equity***

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

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

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations. The Company did not hold any fair value through profit or loss financial liabilities as at September 30, 2016 and 2015.

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

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

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

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**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2016 and 2015**  
**Expressed in Canadian Dollars (Unaudited)**

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

**Recent Accounting Pronouncements**

The following accounting standards were issued but not yet effective as of September 30, 2016:

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

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

***IFRS 9 – Financial Instruments***

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its condensed consolidated interim financial statements.

***IFRS 7 Financial instruments: Disclosure***

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

***IFRS 16 Leases***

IFRS 16 was issued on January 13, 2016, 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 this standard is expected to have on its condensed consolidated interim financial statements.

**Annual improvements**

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

**Functional currency**

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

**Significant Accounting Judgements and Estimates**

The preparation of these consolidated 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 consolidated financial statements include judgements and estimates, which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences.

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2016 and 2015**  
**Expressed in Canadian Dollars (Unaudited)**

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

**Significant Accounting Judgements and Estimates (continued)**

Revisions to accounting estimates are recognized in the period, in which the estimate is revised, and may affect both current and future periods.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Exploration and Evaluation Expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

**3. INVESTMENTS**

Investments consist of the following:

	Number of Shares	Cost	Accumulated Unrealized Gains	September 30, 2016 Fair Value	December 31, 2015 Fair Value
Levon Resources Ltd.	6,650	\$ 126	\$ 3,133	\$ 3,259	\$ 1,197
VBI Vaccines Inc.	333	539	971	1,510	2,261
		\$ 665	\$ 4,104	\$ 4,769	\$ 3,458

The Company's investment in Levon consists of 6,650 common shares with a quoted market value of \$3,259 as at September 30, 2016 (December 31, 2015 – 6,650 common shares with a quoted market value of \$1,197.)

The Company's investment in VBI was initially obtained in a transaction between Levon and SciVac Therapeutics Inc. ("SciVac") during the year ended December 31, 2015 which resulted in the Company exchanging 13,300 common shares of Levon for 13,300 common shares of SciVac. As at September 30, 2016, the Company's investment in VBI (formerly SciVac) consists of 333 common shares with a quoted market value of \$1,510 (December 31, 2015 – 13,300 common shares with a quoted market value of \$2,261).

During the nine months ended September 30, 2016, SciVac completed a reverse-takeover of VBI with VBI continuing as the surviving corporation. SciVac changed its name to VBI Vaccines Inc. and its trading symbol on the TSX to "VBV", and listed its shares on the Nasdaq Capital Market. In connection with the VBI transaction a 1:40 share consolidation of SciVac shares was effected on April 29, 2016 and SciVac's shares began trading on a split-adjusted basis on May 2, 2016. Prior to the VBI transaction the Company held 13,300 common shares of SciVac, and upon completion held 333 common shares of VBI.

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2016 and 2015**  
**Expressed in Canadian Dollars (Unaudited)**

**4. EXPLORATION AND EVALUATION ASSETS**

	<b>Silver Stream Claims</b>
<b>Balance, January 1, 2015</b>	\$ 295,708
Exploration costs incurred during the year:	
Mining tax credit	(1,321)
<b>Balance, December 31, 2015</b>	294,387
Exploration costs incurred during the period:	
Geological consulting	3,275
Taxes and licensing	2,844
<b>Balance, September 30, 2016</b>	\$ 300,506

**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.

**Surprise Lake Property**

During the period, the Company entered into a binding letter agreement with DeCoors Mining Corp to acquire the Surprise Lake Property, located near Atlin, British Columbia, consisting of 32 mineral claims, and covering an area of 5,144 hectares. As of September 30, 2016, the agreement had not been finalized and is still subject to approval. The Company has capitalized certain costs associated with the transaction totalling \$7,900 (December 31, 2015 – Nil).

**5. RECLAMATION DEPOSIT**

As at September 30, 2016 and December 31, 2015, 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.

**6. SHARE CAPITAL**

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

(b) Issued:

In August 2016, the Company closed a non-brokered private placement of 1,055,000 units at a price of \$0.05 per unit for gross proceeds of \$52,750. Each unit consists of one common share and one non-transferrable share purchase warrant. Each warrant will entitle the investor to purchase one additional common share at \$0.10 for a term of two years expiring on August 15, 2018.

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**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2016 and 2015**  
**Expressed in Canadian Dollars (Unaudited)**

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**6. SHARE CAPITAL (continued)**

In July 2016, the Company closed a non-brokered private placement of 2,500,000 units at a price of \$0.02 per unit with Mr. David Wolfin, the President and Chief Executive Officer and a director of the Company, for gross proceeds of \$50,000. Each unit consists of one common share and one non-transferrable share purchase warrant. Each warrant will entitle the investor to purchase one additional common share at \$0.05 for a term of two years expiring on July 6, 2018.

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

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

(c) Share purchase warrants

At September 30, 2016, the Company had 4,330,000 (December 31, 2015 – 1,075,000) share purchase warrants outstanding.

During the nine months ended September 30, 2016, 300,000 share purchase warrants were exercised at a weighted average price of \$0.05 (December 31, 2015 – Nil).

(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 year 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% per individual, 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.

The Company does not have any stock options outstanding as at September 30, 2016 and 2015.

**Gray Rock Resources Ltd.**  
**Notes to the condensed consolidated interim financial statements**  
**For the nine months ended September 30, 2016 and 2015**  
**Expressed in Canadian Dollars (Unaudited)**

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

(a) Key management compensation

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the periods ended September 30, 2016 and 2015 are as follows:

	2016	2015
Consulting fees, wages and benefits	\$ 6,500	\$ 8,238

(b) Due to related parties

As at September 30, 2016, \$186,918 (December 31, 2015 - \$149,487) was due to Oniva International Services Corp. ("Oniva"). The Company receives rent, office and administrative supplies, and services from Oniva, a private company related by common management.

The amounts due to related parties are non-interest bearing, unsecured and due on demand after June 30, 2019.

(c) Loan from related party

The Company entered into a loan agreement with one of its directors. As at September 30, 2016, \$30,000 (December 31, 2015 - \$30,000) of the loan payable was outstanding. The loan is non-interest bearing and is due on demand after June 30, 2019.

(d) Related party transactions

During the nine months ended at September 30, 2016, \$26,398 (2015 - \$23,531) was charged for office, occupancy, miscellaneous costs and salaries, and administrative services paid on behalf of the Company by Oniva. Further, the Company paid \$869 of administrative fees (2015 - \$798) to Oniva.

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

**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**  
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**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. The Company had cash in the amount of \$73,466 (December 31, 2015 - \$5,759) in order to meet short-term business requirements. At September 30, 2016, the Company had current liabilities of \$22,528 (December 31, 2015 – \$211,285). 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 September 30, 2016, are summarized as follows:

	Total	Less Than 1 Year	1-5 years	More Than 5 Years
Accounts payable and accrued liabilities	\$ 22,528	\$ 22,825	\$ -	\$ -
Due to related parties	186,918	-	186,918	-
Loans from a related party	30,000	-	30,000	-
<b>Total</b>	<b>\$ 239,446</b>	<b>\$ 22,528</b>	<b>\$ 216,918</b>	<b>\$ -</b>

(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.

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**8. FINANCIAL INSTRUMENTS (continued)**

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 September 30, 2016:

		<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>
Cash	\$	73,466	\$	-	\$	-
Investments		4,769		-		-
	\$	78,235	\$	-	\$	-

**9. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its property and to maintain flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes the components of shareholders' equity. The Company is not subject to any externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash. Management reviews the capital structure on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.