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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, 2015, 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 June 1, 2015 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 Wolfin, the President & CEO of the Company, on SEDAR at [www.sedar.com](http://www.sedar.com), or on the Company's website at [www.grayrockresources.com](http://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 had a working capital deficit of \$179,114 at March 31, 2015 and has accumulated losses of \$1,777,882 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.



At March 31, 2015, mineral claims Silver Stream I and II remain in good standing.

### Mineral Claim Lease Agreement

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

### Review of Operations

Three months ended March 31, 2015 compared with the three months ended March 31, 2014.

	March 31, 2015	March 31, 2014	Note
<b>General and Administrative Expenses</b>			
Administrative fees	\$ 4,724	\$ 4,839	
Professional fees	2,687	2,804	
Office and miscellaneous	1,570	1,638	
Listing and filing fees	1,300	5,200	1
Transfer agent fees	774	846	
Shareholder information	-	333	
Foreign exchange	(11)	6	
Interest and bank charges	56	42	
<b>Net Loss</b>	<b>(11,100)</b>	<b>(15,708)</b>	<b>2</b>
<b>Other Comprehensive Income (Loss)</b>			
<b>Items that may be reclassified subsequently to income or loss</b>			
Unrealized gain in fair value of available-for-sale investment	2,926	199	3
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ (8,174)</b>	<b>\$ (15,509)</b>	
<b>Basic and Diluted Loss per Share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	
<b>Weighted average shares outstanding</b>	<b>11,464,961</b>	<b>11,464,961</b>	

1. During the three months ended March 31, 2015, listing and filing fees were \$1,300 compared to \$5,200 during the comparative period. The decrease of \$3,900 is due to a timing difference of recognizing the annual sustaining fee paid at the beginning of each year.
2. During the three months ended March 31, 2015, net loss decreased by \$4,608 compared to the same quarter last year. The Company has reduced its operating activities due to current market conditions, and continues to monitor its operating costs carefully



3. During the three months ended March 31, 2015, unrealized gain in fair value of available-for-sale investment increased by \$2,727 compared to the same quarter last year. Fluctuations in unrealized gains or losses in fair value of available-for-sale investments are due to fluctuations in the market price of securities held by the Company.

### Summary of Quarterly Results

Quarter ended	2015	2014	2014	2014	2014	2013	2013	2013
	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 loss	(11,100)	(15,421)	(12,079)	(11,718)	(15,708)	(21,237)	(12,128)	(15,438)
Basic and diluted loss per Share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total Assets	312,227	304,988	304,433	307,403	301,980	303,677	308,164	310,843

The Company has generally reduced its operating expenditures in 2014, and is on track to continue this trend in 2015, as there has been a decrease in exploration activities and related administrative services required to service the Company. Management expects to continue to keep the operating costs of the Company to a minimum until such time as it resumes exploration activities.

### Liquidity and Capital Resources

Historically, the Company has raised funds through equity financing to fund its operations. At March 31, 2015, the Company had a cash balance of \$2,641, a working capital deficiency of \$179,114, and accumulated losses of \$1,777,882 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.

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

The Company has further arranged a second non-brokered private placement of up to 500,000 units at a price of \$0.025 per unit with David Wolfen, the President, Chief Executive Officer, and a director of the Company, subject to acceptance of the TSX Venture Exchange and the approval of the disinterested shareholders at its Annual General & Special Meeting to be held on June 29, 2015. Each unit will consist of one common share and one non-transferrable share purchase warrant. Each warrant will entitle Mr. Wolfen to purchase one additional common share with a term of two years at an exercise price of \$0.05 per share. Mr. Wolfen's security holdings, directly and indirectly, represent 15.53% of the total issued shares (or 18.79% on a fully diluted basis, assuming exercise of the warrants). After the closing of the Offering, Mr. Wolfen will own, control, or direct a total of 2,370,000 common shares and 1,000,000 share purchase warrants, representing 18.90% of the then total issued shares (or 24.75% on a fully diluted basis).

The Company is reviewing other financing options to raise capital in 2015 to meet its current and future obligations and operating expenses.

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.

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.

#### 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

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, 2015 and 2014 are as follows:

	2015	2014
Consulting fees, wages and benefits	\$ 1,731	\$ 2,010

(b) Due to related parties

As at March 31, 2015, \$113,028 (December 31, 2014 - \$106,419) was due to Oniva International Services Corp. ("Oniva"). The Company receives rent, office and administrative supplies, and services from Oniva, a private company related by common management.

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

(c) Loan from related party

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



(d) Related party transactions

During the three months ended March 31, 2015, \$6,141 (2014 - \$6,388) was charged for office, occupancy, and miscellaneous costs, salaries, and administrative services paid on behalf of the Company by Oniva. Further, the Company paid \$154 of administrative fees (2014 - \$160) 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.

(e) Investment in related party

The Company holds securities of a related public company with common directors. During the three months ended March 31, 2015, the Company recognized an unrealized gain of \$2,926 (2014 - \$199) in other comprehensive income on investment securities designated as available for sale. At March 31, 2015, these securities had a fair value of \$6,118 (December 31, 2014 - \$3,192). Fair value was determined using quoted market prices as at March 31, 2015 and December 31, 2014.

### 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 year's 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 Company's financial instruments include cash, investment in a related company, loan from related party, trade and other payables, and amounts due to related party. The carrying values of these financial instruments approximate their fair values due to their short term nature. The Company is not exposed to significant interest, credit or currency risk arising from these financial instruments.

### 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 March 31, 2015 and June 1, 2015, there were 11,464,961 and 12,039,961 common shares respectively outstanding.

As at March 31, 2015 and June 1, 2015, there were nil and 575,000 share purchase warrants respectively outstanding. The currently outstanding share purchase warrants have an exercise price of \$0.05 and are exercisable on or before May 12, 2017.

### **Changes in Accounting Standards**

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

#### **Annual improvements**

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

The following accounting standards were issued but not yet effective as of March 31, 2015:

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

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

#### **IFRS 9 – Financial Instruments**

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

### **IFRS 10 Consolidated Financial Statements**

The amendments to IFRS 10 will require a full gain or loss to be recognized when a transaction involves a business (whether it is housed in a subsidiary or not), while a partial gain or loss would be recognized when a transaction involves assets that do not constitute a business, even if the assets are housed in a subsidiary. The amendments are effective for transactions occurring in annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact these amendments are expected to have on its consolidated 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 consolidated 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, 2015 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.

### **Internal Controls over Financial Reporting**

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company assessed the design of the internal controls over financial reporting as at March 31, 2015, and concluded that there are material weaknesses in internal controls over financial reporting, which are as follows:

- a) Due to the limited number of staff resources, the Company believes there are instances where a lack of segregation of duties exist to provide effective controls; and
- b) Due to the limited number of staff resources, the Company may not have the necessary in-house knowledge to address complex accounting and tax issues that may arise.



The weaknesses and their related risks are not uncommon in a company the size of the Company because of limitations in size and number of staff. The Company believes it has taken steps to mitigate these risks by hiring additional personnel, consulting outside advisors, and involving the Audit Committee and Board of Directors in reviews and consultations where necessary. However, these weaknesses in internal controls over financial reporting could result in a more than remote likelihood that a material misstatement would not be prevented or detected. The Company believes that it must take additional steps to further mitigate these risks by consulting outside advisors on a more regular and timely basis.

There have been no changes in the Company's internal controls over financial reporting that occurred during the three months ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

### **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 June 1, 2015. 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.