



GRAY ROCK RESOURCES LTD.

Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Gray Rock Resources Ltd. (the "Company") are the responsibility of the Company's management. The consolidated 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 audit and the annual consolidated financial statements prior to their approval.

The consolidated financial statements as at December 31, 2019 and 2018, and for the years then ended, have been audited by Manning Elliott LLP, an independent registered public accounting firm, and their report outlines the scope of their examination, and gives their opinion on the consolidated financial statements.

"David Wolfin"

David Wolfin
President & CEO
April 15, 2020

"Nathan Harte"

Nathan Harte, CPA
Chief Financial Officer
April 15, 2020

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Gray Rock Resources Ltd.

Opinion

We have audited the consolidated financial statements of Gray Rock Resources Ltd. and its subsidiary (the "Company") which comprise the consolidated statement of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Joseph Bonvillain.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
April 15, 2020

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

	Note	December 31, 2019	December 31, 2018
ASSETS			
Current Assets			
Cash		\$ 101,846	\$ 115,242
Sales taxes recoverable and other		1,298	1,089
		103,144	116,331
Non-Current Assets			
Investments	5	189,118	195,651
Exploration and evaluation assets	6	306,844	303,848
Right-of-use asset	7	30,969	-
Reclamation deposit	8	3,000	3,000
Website development costs		3,813	7,627
TOTAL ASSETS		\$ 636,888	\$ 626,457
LIABILITIES			
Current Liabilities			
Trade and other payables		\$ 16,272	\$ 15,894
Current portion of lease liability	7	6,942	-
		23,214	15,894
Non-Current Liabilities			
Promissory notes payable to related parties	10	227,996	162,876
Lease liability	7	24,027	-
Site restoration obligation		3,000	3,000
		278,237	181,770
EQUITY			
Share capital	9	4,297,472	4,297,472
Contributed surplus		503,692	576,092
Accumulated other comprehensive loss		(404,346)	(429,014)
Deficit		(4,038,167)	(3,999,864)
		358,651	444,686
TOTAL LIABILITIES AND EQUITY		\$ 636,888	\$ 626,457

Note 1 – Nature of operations and going concern

These consolidated financial statements are authorized for issue by the Board of Directors on April 15, 2020:

“David Wolfen” **Director** _____
“Brian Johnston” **Director**

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

Gray Rock Resources Ltd.
Consolidated Statements of Operations and Comprehensive Income (Loss)
Expressed in Canadian Dollars

	Note	2019	2018
General and Administrative Expenses			
Administrative salaries and benefits	\$	29,612	\$ 37,695
Automobile		1,498	659
Consulting fees		30,200	30,000
Depreciation		3,813	3,813
Foreign exchange loss		120	15
Interest and bank charges		109	117
Listing and filing fees		7,664	10,997
Office and miscellaneous		27,661	11,321
Professional fees		18,485	32,042
Shareholder information		2,161	4,245
Transfer agent fees		5,561	6,589
Travel		344	91
Loss Before Other Items		(127,228)	(137,584)
Other Items			
Interest and other income		-	942
Realized gain on sale of investments	5	7,000	-
Fair value adjustment to promissory notes payable, net of accretion	10	27,725	(6,208)
Settlement proceeds from mineral property costs	6(b)	-	624,000
Net Income (Loss) For the Year		(92,503)	481,150
Other Comprehensive Income (Loss)			
Items that will not subsequently be re-classified to net income			
Unrealized gain (loss) on investments	5	6,468	(432,269)
Reclassification of accumulated losses on investments sold	5	18,200	-
Total Comprehensive Income (Loss)		\$ (67,835)	\$ 48,881
Earnings (Loss) per Share			
	9(e)		
Basic		\$ (0.00)	\$ 0.02
Diluted		\$ (0.00)	\$ 0.02
Weighted Average Number of Shares Outstanding			
	9(e)		
Basic		22,260,461	22,257,897
Diluted		22,260,461	22,539,872

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

**Gray Rock Resources Ltd.
Consolidated Statements of Changes in Equity
Expressed in Canadian Dollars**

	Note	Number of Common Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Accumulated Comprehensive Income (Loss)	Total Equity
Balance, January 1, 2018		22,960,461	\$ 4,172,472	\$ 648,092	\$ (4,553,014)	\$ 3,255	\$ 270,805
Common shares issued for cash: Exercise of warrants	9(b)	2,500,000	125,000	-	-	-	125,000
Common shares returned to treasury	9(b)	(3,200,000)	-	-	-	-	-
Stock options cancelled or expired		-	-	(72,000)	72,000	-	-
Net income for the year		-	-	-	481,150	-	481,150
Other comprehensive loss for the year		-	-	-	-	(432,269)	(432,269)
Balance, December 31, 2018		22,260,461	\$ 4,297,472	\$ 576,092	\$ (3,999,864)	\$ (429,014)	\$ 444,686
Balance, January 1, 2019		22,260,461	\$ 4,297,472	\$ 576,092	\$ (3,999,864)	\$ (429,014)	\$ 444,686
Stock options cancelled or expired		-	-	(72,400)	72,400	-	-
Net loss for the year		-	-	-	(92,503)	-	(92,503)
Reclassification of accumulated losses on investments sold		-	-	-	(18,200)	18,200	-
Other comprehensive gain for the year		-	-	-	-	6,468	6,468
Balance, December 31, 2019		22,260,461	\$ 4,297,472	\$ 503,692	\$ (4,038,167)	\$ (404,346)	\$ 358,651

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

Gray Rock Resources Ltd.
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

	2019	2018
Cash provided by (used in):		
Operating Activities		
Net Income (Loss)	\$ (92,503)	\$ 481,150
Items not involving cash:		
Cost recovery of previous write down	-	(624,000)
Depreciation	3,813	3,813
Fair value adjustment on promissory notes payable	(27,725)	6,208
Realized gain on sale of investments	(7,000)	-
Changes in non-cash working capital items:		
Sales taxes recoverable and other	(209)	12,012
Trade and other payables	378	1,140
	(123,246)	(119,677)
Financing Activities		
Issuance of common shares on exercise of warrants	-	125,000
Promissory notes issued (repaid) to related parties	92,846	(20,788)
	92,846	104,212
Investing Activities		
Proceeds from disposition of investments	20,000	-
Exploration and evaluation expenditures	(2,996)	(500)
	17,004	(500)
Change in Cash	(13,396)	(15,965)
Cash, Beginning of Year	115,242	131,207
Cash, End of Year	\$ 101,846	\$ 115,242
Supplementary Disclosure of Cash Flow Information		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

Gray Rock Resources Ltd.
Notes to the consolidated financial statements
For the years ended December 31, 2019 and 2018
Expressed in Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

Gray Rock Resources Ltd. (“Gray Rock” or the “Company”) was incorporated under the laws of the Province of British Columbia, Canada. It is in the exploration stage with regards to its business of exploration and development of mineral properties. The Company owns the Silver Stream mineral claims in British Columbia, Canada. The Company’s head office and principal place of business is Suite 900, 570 Granville Street, Vancouver, BC, Canada.

Gray Rock is in the exploration stage and has not yet determined whether the properties contain 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 December 31, 2019, the Company has accumulated losses of \$4,038,167. 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. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

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 consolidated statement of financial position. Non-monetary items that denominated in foreign currencies are translated at historical rates.

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

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Significant Accounting Judgments and Estimates (continued)

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.

Site Closure and Reclamation Provisions

The Company assesses its reclamation provision at each reporting date or when new material information becomes available. Exploration, development, and mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation work required to comply with existing laws and regulations at each location. Actual costs incurred may differ from those amounts estimated. The Company's exploration work to date has resulted in no significant site disturbance and therefore the Company's reclamation provision is limited to the amount posted as a reclamation bond.

Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

Title to Mineral Properties

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Share-Based Payments

Management uses valuation techniques in measuring the fair value of share options granted. The fair value is determined using the Black Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of the share options, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions for any share options granted could have a material impact on the Company's consolidated financial statements.

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Deferred Income Taxes

Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred tax liabilities are recognized in the consolidated statement of financial position. Deferred tax assets, including those potentially arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods, in order to recognise deferred tax assets. Assumptions about the generation of future taxable income depend on management's estimates of future operations and cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize deferred tax assets or offset these against any deferred tax liabilities recorded at the reporting date could be impacted.

Going Concern

The assessment of the Company's ability to continue as a going concern involves judgement regarding future funding available for its projects and working capital requirements and whether there are events or conditions that may give rise to significant uncertainty.

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. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents in the statement of consolidated financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. The Company does not hold any cash equivalents as at December 31, 2019 and 2018.

Financial Instruments

Measurement – initial recognition

All financial assets and financial liabilities are initially recorded on the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All financial asset and liabilities are initially recorded at fair value, net of attributable transaction costs, except for those classified as fair value through profit or loss ("FVTPL"). Subsequent measurement of financial assets and financial liabilities depends on the classifications of such assets and liabilities.

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Classification – financial assets

Amortized cost

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequent to initial recognition at amortized cost.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is recognized using the effective interest method, and is recognized in interest and other income, on the consolidated statements of operations and comprehensive income (loss).

The Company has no financial assets recognized at amortized costs.

Fair value through other comprehensive income (“FVTOCI”)

Financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and selling financial assets, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to deficit.

The Company financial assets designated as FVTOCI includes investments.

Fair value through profit or loss (“FVTPL”)

By default, all other financial assets are measured subsequently at FVTPL, which includes cash, and reclamation deposit.

Classification – financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

Financial liabilities at amortized cost include trade and other payables and promissory notes payable to related parties.

Financial liabilities classified FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the consolidated statements of operations. The Company has no financial liabilities designated at FVTPL.

Gray Rock Resources Ltd.
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The Company has no hedging arrangements and does not apply hedge accounting.

Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets when necessary. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for, and development of mineral claims and crediting all proceeds received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as production commences at levels intended by management, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. General exploration costs not related to specific mineral property are expensed as incurred. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment.

An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

Incidental revenues and operating costs are included in mineral properties and development costs prior to production at levels intended by management. Accrued tax credits on eligible exploration expenditures are accounted for as deduction from mineral properties and development costs, on a property by property basis, and will be charged to operations on the same basis as the acquisition, exploration, and development expenditures. The exploration tax credits are accrued in the year when the exploration expenditures are incurred and the tax credit is applied for provided there is reasonable assurance that the tax credits will be realized.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining properties under development.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to operations.

The amounts shown for exploration and evaluation assets represent net costs incurred to the date of the consolidated financial statements and do not necessarily reflect present or future values.

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Impairment

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount. The revised increased carrying amount must not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Share-Based Payment Transactions

The share option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected

Gray Rock Resources Ltd.
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manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

Site Restoration Obligation

An obligation to incur restoration, rehabilitation, and environmental costs arises when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value.

These costs are charged against profit or loss over the economic life of the related asset, through depreciation using either the unit-of-production or the straight-line method. The related liability is adjusted for each year for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage, which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company evaluated its site restoration obligation to be \$3,000 as at December 31, 2019 (2018 - \$3,000).

Earnings or Loss per Share

The Company presents basic and diluted earnings or loss per share data for its common shares, calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings or loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. Diluted earnings or loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

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Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on investments, gains or losses on certain derivative instruments, and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income and (loss), components of other comprehensive income and (loss) and cumulative translation adjustments are presented in the consolidated statements of operations and comprehensive loss and the consolidated statements of changes in equity.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Application of new and revised accounting standards:

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 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 became 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 elected to apply the practical expedients in IFRS 16 and reviewed all existing leases and concluded that all leases that were previously expensed over the lease term were 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.

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IFRIC 23 - Uncertainty over Income Tax Treatments

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 the treatment is likely to be accepted, 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 not, the entity should reflect the effect of uncertainty in determining its accounting tax position.

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.

Changes in accounting standards not yet effective:

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

IFRS 3 – Definition of a Business

In October 2018, the IASB issued amendments to IFRS 3 – Definition of a Business which:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- Add an option concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occurred on or after the beginning of that period. Earlier application is permitted. The Company does not expect any material impact upon adoption.

Annual Improvements 2015-2017 Cycle

In December 2017, the IASB issued the Annual Improvements 2015-2017 cycle, containing amendments to IFRS 3 - Business Combinations ("IFRS 3"), IFRS 11 - Joint Arrangements, IAS 12 - Income Taxes, and IAS 23 - Borrowing Costs. These amendments are effective for annual periods beginning on or after January 1, 2019 and are not expected to have a significant impact on the Company's consolidated financial statements

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5. INVESTMENTS

	Number of Shares	Cost	Accumulated Unrealized Gain (Loss)	December 31, 2019 Fair Value	December 31, 2018 Fair Value
Discovery Metals Corp.	3,520	\$ 125	\$ 2,198	\$ 2,323	\$ 928
SciVac Therapeutics Inc.	332	539	56	595	723
Garibaldi Resources Corp	190,000	592,800	(406,600)	186,200	194,000
		\$ 593,464	\$ (404,346)	\$ 189,118	\$ 195,651

During the year ended December 31, 2019, the Company disposed of 10,000 shares of Garibaldi Resources Corp. and recognized a gain on sale \$7,000 (2018 - \$Nil).

During the year ended December 31, 2019, Discovery Metals Corp. ("Discovery") acquired Levon Resources Ltd. ("Levon"), and the Company received 3,520 shares of Discovery in exchange for 6,400 previously held shares of Levon.

During the year ended December 31, 2019, the Company recognised an unrealized gain of \$6,468 (2018 – loss of \$432,269) on its investments and reclassified \$18,200 of accumulated losses from other comprehensive income into deficit in connection with the sale of 10,000 shares of Garibaldi Resources Corp.

6. EXPLORATION AND EVALUATION ASSETS

	Silver Stream Claims
Balance, January 1, 2018	\$ 303,348
Exploration costs incurred during the year:	
Taxes and licensing	500
Balance, December 31, 2018	303,848
Exploration costs incurred during the year:	
Taxes and licensing	500
Geological	2,496
Balance, December 31, 2019	\$ 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.

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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.

(b) Surprise Lake Property & Hot Bath Property

In June 2018, the Company transferred the Surprise Lake and Hot Bath Properties back to DeCoors. In consideration for the transfer, DeCoors returned 3.2 million common shares of the Company for cancellation, and delivered 200,000 common shares of Garibaldi Resources Inc. The Company recorded settlement proceeds of \$624,000, which represented the fair value of the common shares on the date of delivery.

7. 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 10(c)). 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.

	2019	2018
Balance, beginning	\$ -	\$ -
Additions	30,969	-
Changes to lease terms	-	-
Depreciation	-	-
Balance, ending	\$ 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:

	December 31, 2019	December 31, 2018
Not later than one year	\$ 7,351	\$ -
Later than one year and not later than five years	31,865	-
Later than five years	2,686	-
Less: future interest charges	(10,932)	-
Present value of lease payments	30,969	-
Less: current portion	(6,942)	-
Non-current portion	\$ 24,027	\$ -

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

Payments relating to short-term leases recognized as an expense during the year ended December 31, 2019, totalled \$5,767 (2018 - \$3,485).

Amounts Recognized in Statement of Cash Flows

Cash payments relating to short-term leases during the year ended December 31, 2019, totalled \$5,767 (2018 - \$3,485).

8. RECLAMATION DEPOSIT

As at December 31, 2019 and 2018, 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.

9. SHARE CAPITAL

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

(b) Issued during 2019 and 2018:

No shares were issued or returned in 2019.

In July 2018, the Company issued 2,500,000 common shares upon the exercise of 2,500,000 share purchase warrants for gross proceeds of \$125,000.

In June 2018, the Company had 3,200,000 common shares returned to treasury for cancellation, subsequent to the settlement and return of the Surprise Lake and Hot Bath Properties to DeCoors Mining ("DeCoors").

(c) Share purchase warrants

At December 31, 2019, the Company had 1,725,250 (2018 – 1,725,250) share purchase warrants outstanding and exercisable. Continuity of warrants outstanding and exercisable is as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding and exercisable, January 1, 2018	4,250,450	\$0.16
Exercised	(2,500,000)	\$0.05
Forfeited	(25,200)	\$0.60
Outstanding and exercisable, December 31, 2018 and 2019	1,725,250	\$0.31

At December 31, 2019, weighted average remaining contractual life of warrants outstanding was 0.50 years (2018 – 1.50 years).

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The following table summarizes information about the Company's warrants outstanding at December 31, 2019:

Expiry Date	Exercise Price	Warrants Outstanding and Exercisable
February 15, 2020	\$0.50	500,000
August 15, 2020	\$0.10	905,000
September 15, 2020	\$0.60	320,250
		1,725,250

Subsequent to December 31, 2019, 500,000 warrants expired unexercised.

(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 to be vested in stages over at least a one-year period and no more than one-quarter of such options may be vested in any three-month period. 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 ten years after the grant date.

Continuity of stock options is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, January 1, 2018	1,940,000	\$0.40
Cancelled	(225,000)	\$0.39
Outstanding and exercisable, December 31, 2018	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

Details of stock options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Options Outstanding and Exercisable
February 23, 2022	\$0.39	1,095,000
June 23, 2022	\$0.44	400,000
		1,495,000

As at December 31, 2019, the weighted average remaining contractual life of stock options outstanding was 2.24 years (2018 – 3.04).

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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.

During the years ended December 31, 2019 and 2018, there were no stock options granted.

(e) Earnings per share

The calculations for basic and diluted earnings per share are as follows:

	2019	2018
Net income (loss) for the year	\$ (92,503)	\$ 481,150
Basic weighted average number of shares outstanding	22,260,461	22,257,897
Effect of dilutive share options and warrants	-	281,975
Diluted weighted average number of shares outstanding	22,260,461	22,539,872
Basic earnings per share	\$ (0.00)	\$ 0.02
Diluted earnings per share	\$ (0.00)	\$ 0.02

10. 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 for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Consulting fees, wages and benefits	\$ 40,718	\$ 39,554
Share-based compensation	-	-
	\$ 40,718	\$ 39,554

(b) Promissory notes payable to related parties

	Intermark Capital Corp.		Oniva	
	2019	2018	2019	2018
Beginning balance	\$ 7,364	\$ 12,888	\$ 155,512	\$ 164,569
Borrowing	31,500	10,500	61,345	24,718
Repayment of the note	-	(18,375)	-	(37,632)
Loss on repayment of the note	-	4,702	-	9,630
Unwinding of the discount	924	785	19,518	18,950
Fair market interest adjustment	(10,330)	(3,136)	(37,837)	(24,723)
Ending balance	\$ 29,458	\$ 7,364	\$ 198,538	\$ 155,512

As at December 31, 2019, \$283,068 (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. David Wolfin, President, CEO and Director of the Company, is the sole owner of Oniva International Services Corporation.

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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 December 31, 2019 is discounted to \$198,538 (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 \$37,837 (2018 - \$24,723) was recognized in the statement of operations and comprehensive income (loss). The Company further recorded expenses of \$19,518 related to the quarterly unwinding of the discount during the year ended December 31, 2019 (2018 - \$18,950).

During the year ended December 31, 2019, the Company entered into a loan agreement with Intermark Capital Corp. ("Intermark"), which is controlled by one of the Company's directors. The Company and Intermark 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 December 31, 2019 is discounted to \$29,458 (2018 - \$7,364), 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 recognized in the year ended December 31, 2019 of \$10,330 (2018 - \$3,136) was recognized in the statement of operations and comprehensive income (loss).

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 December 31, 2018 is discounted to \$7,364, reflecting a fair market interest rate. The Company's calculations were performed using an interest rate of 12%, compounding quarterly over the period. The initial fair value adjustment recognized in the year ended December 31, 2018 of \$3,136 was recognized in the statement of operations and comprehensive income (loss).

(c) Related party transactions

During the year ended December 31, 2019, \$59,500 (2018 - \$50,436) was charged for office, occupancy, miscellaneous costs and salaries, and administrative services paid on behalf of the Company by Oniva. Further, the Company paid \$1,425 of administrative fees (2018 - \$1,273) 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.

11. FINANCIAL INSTRUMENTS

The fair values of the Company's cash, trade and other payables approximate their carrying values because of the short-term nature of these instruments. The fair values of the Company's investments are detailed in Note 5, and promissory notes payable are detailed in Note 10.

The Company's financial instruments are exposed to certain financial risks comprising credit risk, liquidity risk and market risk.

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(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 December 31, 2019, the Company had cash in the amount of \$101,846 (2018 - \$115,242) in order to meet short-term business requirements. At December 31, 2019, the Company had current liabilities of \$23,214 (2018 - \$15,894). 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 December 31, 2019, are summarized as follows:

	Total	Less Than 1 Year	1-5 years	More Than 5 Years
Trade and other payable	\$ 16,272	\$ 16,272	\$ -	\$ -
Lease liability	41,902	7,351	31,865	2,686
Promissory notes payable to related parties	325,068	-	325,068	-
Total	\$ 383,242	\$ 23,623	\$ 356,933	\$ 2,686

(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.

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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 December 31, 2019:

	Level 1	Level 2	Level 3
Cash	\$ 101,846	\$ -	\$ -
Investments	189,118	-	-
	\$ 290,964	\$ -	\$ -

12. 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 expansion of its properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company considers equity, comprising of all issued share capital, accumulated deficit, and accumulated other comprehensive income, as well as its promissory notes payable and lease liability, as follows:

	December 31, 2019	December 31, 2018
Equity	\$ 358,651	\$ 444,686
Lease liability	30,969	-
Promissory notes issued to related parties	227,996	162,876
	\$ 617,616	\$ 607,562

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.

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13. INCOME TAXES

The potential benefit of net operating loss carry forwards has not been recognized in the financial statements since the Company cannot be assured that it is probable that such benefit will be utilized in future years.

The components of the deferred tax asset, the statutory tax rate, the effective tax rate and the unrecognized deferred income tax asset are as follows:

	2019	2018
Income (loss) before income taxes	\$ (92,503)	\$ 481,150
Corporate tax rate	27%	27%
Expected tax expense (recovery)	(25,000)	130,000
Decrease resulting from:		
Non-deductible items for tax purposes and other items	(56,000)	(5,000)
Change in future tax rate	-	-
Change in unrecognized deferred income tax assets	81,000	(125,000)
Deferred income tax expense	\$ -	\$ -

The Company's tax-effected deferred income tax assets and liabilities are estimated as follows:

	2019	2018
Unrecognized deferred income tax assets include:		
Non-capital losses	\$ 426,000	\$ 390,000
Investments	55,000	-
Promissory notes payable to related parties	(26,000)	(19,000)
Exploration and evaluation assets	374,000	375,000
Share issuance costs	2,000	5,000
Capital assets and other	5,000	3,000
	836,000	754,000
Unrecognized deferred income tax assets	(836,000)	(754,000)
	\$ -	\$ -

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At December 31, 2019, the Company has non-capital losses of approximately \$1,506,000 (2018 - \$1,374,000) for Canadian income tax purposes which are available to reduce future taxable income. If not utilized, the losses expire through 2038 as follows:

	\$
2026	177,000
2027	126,000
2028	112,000
2029	147,000
2030	102,000
2031	118,000
2032	54,000
2033	70,000
2034	59,000
2035	-
2036	81,000
2037	186,000
2038	142,000
2039	132,000
	1,506,000

As at December 31, 2019, the Company's U.S. subsidiary has U.S.-based non-capital tax losses of approximately US\$55,000 (2018 - US\$55,000) available to reduce future taxable income. These losses begin to expire in 2029.

In addition, the Company has accumulated Canadian Exploration Expenses, Canadian Development Expenses and Foreign Exploration and Development Expenses for income tax purposes of \$1,693,000 (2018 - \$1,692,000). The expenditures pools can be carried forward indefinitely to be applied against income of future years.