GRAYCLIFF EXPLORATION LIMITED
(Formerly 1093683 B.C. Ltd.)

Condensed Interim Financial Statements
(Unaudited)
For the Three and Nine Months Ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)

GRAYCLIFF EXPLORATION LIMITED (Formerly 1093683 B.C. Ltd.)
Condensed Interim Statements of Financial Position
(unaudited)
As at September 30, 2020 and December 31, 2019
Expressed in Canadian dollars

	September 30, 2020	December 31, 2019
ASSETS		
Current assets		
Cash	**$ 504,822**	$ 425,782
Amounts receivable	**35,605**	3,743
Advances receivable *(Note 3)*	**---**	---
Prepaid expenses	**181,994**	42,529
	$ 722,421	$ 472,054
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 4,025**	$ 32,784
	4,025	32,784
Long-term liabilities		
Convertible debenture *(Note 4)*	**413,351**	---
Total liabilities	**417,376**	32,784
Shareholders' equity		
Share capital *(Note 5)*	**733,767**	733,767
Contributed surplus	**193,415**	---
Equity Component of Convertible debenture *(Note 4)*	**114,221**	---
Deficit	**(736,358)**	(294,497)
	305,045	439,270
	$ 722,421	$ 472,054

Nature of Operations and Going Concern *(Note 1)*
Subsequent Events *(Note 8)*

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

On behalf of the Board,

"Signed"
Samuel Hardy
Samuel Hardy
Director

"Signed"
James Macintosh
James Macintosh
Director

GRAYCLIFF EXPLORATION LIMITED (Formerly 1093683 B.C. Ltd.)
Unaudited Condensed Interim Statements of Loss and Comprehensive Loss
(unaudited)
For the three and nine months ended September 30, 2020 and 2019
Expressed in Canadian dollars

	Three Months		Nine Months	
	2020	**2019**	**2020**	**2019**
Operating Expenses				
Professional and consulting fees	**$ 63,744**	$ 2,400	**$ 98,681**	$ 2,400
Stock-based compensation	**193,415**	10,825	**193,415**	20,000
Management fees *(Note 6)*	**32,250**	10,825	**77,750**	10,825
Exploration and evaluation	**---**	20,000	**---**	20,000
General and administrative costs	**33,089**	1,121	**63,539**	2,731
Corporate advisory fees *(Note 6)*	**---**	118,000	**10,250**	127,000
	(322,498)	(152,346)	**(443,635)**	(162,956)
Interest income *(Note 3)*	**162**	---	**1,774**	---
Net loss and comprehensive loss for the period	**$ (322,336)**	$ (152,346)	**$ (441,861)**	$ (162,956)
Basic and diluted loss per common share	**$ (0.02)**	$ (0.03)	**$ (0.03)**	$ (0.02)
Weighted average number of shares outstanding during the period – basic and diluted	**15,354,882**	5,510,549	**15,354,882**	8,539,144

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

GRAYCLIFF EXPLORATION LIMITED **(Formerly 1093683 B.C. Ltd.)**
Unaudited Condensed Interim Statements of Changes in Shareholders' Deficiency
(unaudited)
For the nine months ended September 30, 2020 and 2019
Expressed in Canadian dollars

	Shares Outstanding	Share Capital	Shares to be Issued	Contributed Surplus	Equity Component of Convertible Debenture	Deficit	Total
	(##)	($$)	($$)	($$)	($$)	($$)	($$)
Balance at December 31, 2018	**12,125,000**	**---**	**---**	**---**	**---**	**(6,775)**	**(6,775)**
Issue of share capital - private placements *(Note 3)*	---	---	162,567	---	---	---	162,567
Issue of share capital - proposed transaction *(Note 3)*	1,000,000	---	---	---	---	---	---
Shares cancelled *(Note 3)*	(7,614,451)	---	---	---	---	---	---
Net loss for the period	---	---	---	---	---	(162,956)	(162,956)
Balance at September 30, 2019	**5,510,549**	**---**	**162,567**	**---**	**---**	**(169,731)**	**(7,164)**
Balance at December 31, 2019	**15,354,882**	**733,767**	**---**	**---**	**---**	**(294,497)**	**439,270**
Vesting of share-based compensation	**---**	**---**	**---**	**193,415**	**---**	**---**	**193,415**
Equity component of convertible debentures	**---**	**---**	**---**	**---**	**114,221**	**---**	**114,221**
Net loss for the period	**---**	**---**	**---**	**---**	**---**	**(441,861)**	**(441,861)**
Balance at September 30, 2020	**15,354,882**	**733,767**	**---**	**193,415**	**114,221**	**(736,358)**	**(305,045)**

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

GRAYCLIFF EXPLORATION LIMITED (Formerly 1093683 B.C. Ltd.)
Condensed Interim Statements of Cash Flows
(unaudited)
For the nine months ended September 30, 2020 and 2019
Expressed in Canadian dollars

	2020	2019
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	**$ (441,861)**	$ (162,956)
Vesting of stock-based compensation	**193,415**	---
Accrued interest on convertible debenture	**362**	---
Loan accretion on convertible debenture	**660**	---
Net change in non-cash working capital balances:		
Amounts receivable	**(31,862)**	(2,896)
Prepaid expenses	**(139,465)**	---
Accounts payable and accrued liabilities	**(28,759)**	17,734
Net cash flows used in operating activities	**(447,510)**	(148,118)
FINANCING ACTIVITIES		
Shares to be issued	**---**	162,567
Convertible debenture	**530,000**	---
Convertible debenture issue costs	**(3,450)**	---
Net cash flows provided by (used in) financing activities	**526,550**	(162,567)
Net increase in cash	**79,040**	14,449
Cash, beginning of the period	**425,782**	---
Cash, end of the period	**$ 504,882**	$ 14,449

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

1. Nature of Operations and Going Concern

Graycliff Exploration Limited (formerly 1093683 BC Ltd.), a company incorporated under the laws of British Columbia, Canada (the "**Company**" or "**Graycliff**") is engaged in the acquisition, exploration, development and extraction of natural resources, specifically precious metals. Its head office is located at 777 Hornby Street, Suite 600, Vancouver, BC, V6Z 1S4, Canada. On August 4, 2020, the Company's shares were approved for listing and began trading on the Canadian Securities Exchange ("CSE").

The Company was incorporated on October 19, 2016 as a wholly-owned subsidiary of Monterey Minerals Inc. ("Monterey"). On August 1, 2018, Monterey completed a plan of arrangement whereby it issued 1,010,549 common shares of the Company to Monterey shareholders (the "spinout") for $NIL consideration.

Mineral exploration projects, even when successful, require large amounts of exploration investment to prove mineable reserves, generally over long periods of time, prior to commencement of production. The ability of the Company to continue as a going concern is dependent upon, among other things, being able to obtain additional financing, the continued support of its existing shareholders, and the outlining and development of commercial deposits of metals at its project to generate positive cash flows from operations. While the Company has been successful in securing financing during 2019 and identifying suitable properties to date, there is no assurance that the Company will continue to be successful in achieving these objectives. As at September 30, 2020, the Company had a working capital balance of $718,396 and an accumulated deficit of $736,358. The Company's ability to continue operations is dependent on management's ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurances that it will be able to do so in the future. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The ability of the Company to realize the costs it has incurred to date on its properties is dependent upon the Company being able to identify economically recoverable reserves, to finance their development costs and to resolve any environmental, regulatory or other constraints, which may hinder the successful development of the reserves. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and development activities and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, and non-compliance with regulatory and environmental requirements.

These unaudited condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the realization of assets and discharge of liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. It would, in this situation, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying Financial Statements. Such adjustments could be material.

2. Basis of Presentation

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim financial statements are based on IFRS issued and outstanding as of November 20, 2020, the date the Board of Directors approved the financial statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2019, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2020 could result in restatement of these unaudited condensed interim financial statements.

2. Basis of Presentation (Cont'd)

Basis of presentation

These unaudited condensed interim financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss ("FVTPL"). In addition, these unaudited interim condensed financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

These unaudited condensed interim financial statements are presented in Canadian Dollars, which is also the functional currency of the Company. All financial information is expressed in Canadian Dollars otherwise stated and has been rounded to the nearest dollar.

New accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. None of these are expected to have a significant effect on the Financial Statements of the Company.

The Conceptual Framework for Financial Reporting (revised in 2018) has been updated to expand on the existing Conceptual Framework by focusing on the elements of financial statements, recognition and derecognition, measurement, and presentation and disclosure. The standard is effective for annual periods beginning on or after January 1, 2020. These new standards and changes did not have any material impact on the Company's financial statements.

Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors has been updated. The definition of "material" is being clarified for purpose of improving consistency and application of the concept where applicable. The standard is effective for annual periods beginning on or after January 1, 2020. This new standard and changes did not have any material impact on the Company's financial statements.

3. Advances Receivable

On January 15, 2020, the Company advanced $50,000 to Venex Capital ("Venex"), a Company controlled by one of Graycliff's former directors, in the form of an unsecured demand loan bearing interest at 5% per annum. On February 13, 2020, the Company advanced a further $25,000 to Venex in the form of an unsecured demand loan bearing interest at 5% per annum. On June 30, 2020, Venex repaid $25,000 of the initial $50,000 demand loan, resulting in a balance of $50,000 plus accrued interest of $1,612 included in Advances Receivable at June 30, 2020. On July 13, 2020, July 21, 2020 and July 29, 2020, Venex repaid a further $7,500, $22,500 and $20,000, respectively, of the demand loan receivable leaving only accrued interest of $1,774 outstanding.

4. Convertible Debenture

Accounting Policy

Compound financial instruments issued by the Company comprise of convertible debentures that can be converted to share capital at the option of the holder.

The liability component of a compound financial instrument is recognized initially at the fair value which is equal to the net present value of future cash flows applying an interest rate at the date of issue of a similar liability that does not have an equity convertible option.

The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Expressed in Canadian dollars unless otherwise indicated

4. Convertible Debenture (Cont'd)

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognized in the consolidated statement of comprehensive loss.

On September 24, 2020 Graycliff closed a $530,000 non-brokered private placement offering of 5% unsecured convertible debentures (the "Debenture") at an issue price of $1,000 per Debenture. The Debenture has a maturity of twenty-four months and will bear interest at a rate of 5% per annum, payable at maturity in cash or common shares of the Company ("Common Shares") at $0.60 per common share. Each Debenture may be converted at the option of the holder into 1,667 Common Shares. The conversion price for the Common Shares is equal to $0.60 per share and the Debentures are subject to a four-month hold period.

The fair value of the liability was recorded at $415,031, discounted at an effective interest rate of 18%. The $114,969 residual value of the Debenture is allocated to the conversion feature. The Company incurred transaction costs of $3,450 which was allocated pro-rata on the value of the conversion feature and the liability component.

During the quarter ended September 30, 2020, the Company recorded accretion expense of $660 and interest expense of $363 as finance interest expense in profit and loss.

Balance, December 31, 2019 and June 30, 2020		
Principal amount	$	530,000
Equity allocation – conversion feature		(114,969)
Transaction costs		(3,450)
Transaction costs allocated to equity		747
Interest expense		363
Accretion expense		660
Balance, September 30, 2020	**$**	**413,351**

5. Share Capital

Common Shares Authorized

Unlimited number of common shares with no par value

Common Shares Issued

	Number of Shares		Amount
Balance, December 31, 2017	**---**	**$**	**---**
Issued as part of spinout	1,010,549		---
Issued as part of proposed transaction	11,114,451		---
Balance, December 31, 2018	**12,125,000**	**$**	**---**
Issued as part of proposed transaction	1,000,000		---
Shares cancelled	(12,114,451)		---
Issued on private placements	12,144,333		689,767
Issued for trade debt	2,200,000		44,000
Balance, December 31, 2019 and September 30, 2020	**15,354,882**	**$**	**733,767**

On August 1, 2018, Monterey completed a plan of arrangement whereby it issued 1,010,549 common shares of the Company to Monterey shareholders for $NIL consideration (see Note 1). Also on August 1, 2018, the Company issued 11,114,451 common shares to various shareholders as part of a Letter of Intent ("LOI") to execute an acquisition and public listing transaction. An additional 1,000,000 common shares were issued on May 6, 2019. The LOI was assigned a $NIL value by management. This proposed transaction was never completed, and the associated common shares were cancelled: 7,614,451 on May 6, 2019 and the remaining 4,500,000 on October 7, 2019.

Expressed in Canadian dollars unless otherwise indicated

5. Share Capital (Cont'd)

On October 1, 2019, the Company closed a non-brokered private placement totaling $50,667 priced at $0.02 per common share, resulting in the issuance of 2,533,333 common shares. As part of this closing, 633,333 common shares were issued for cash proceeds of $12,667 and 1,900,000 common shares were issued to settle $38,000 of trade debt. On October 24, 2019, the Company closed a non-brokered private placement totaling $162,000 priced at $0.02 per common share, resulting in the issuance of 8,100,000 common shares. In connection with this financing, 300,000 common shares were issued to settle trade debt of $6,000.

On November 8, 2019, the Company issued 322,500 common shares at $0.10 per share for proceeds of $32,250. On November 28, 2019, the Company issued 388,500 common shares at $0.10 per share for proceeds of $38,850. On December 17, 2019, the Company issued 3,000,000 common shares at $0.15 per share for proceeds of $450,000.

On December 4, 2019, the Company issued a total of 800,000 stock options to directors, officers and consultants. These options have a five-year life, and an exercise price of $0.15 and vest when the Company's shares begin trading on a public stock exchange. The $55,200 value of these options was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: share price - $0.10; risk free rate of return - 1.40%; expected volatility - 100%; expected life - 5 years; expected dividend yield - 0%. The Company recognized this stock-based compensation in August 2020 as the options have now vested.

On August 13, 2020, the Company issued a total of 50,000 stock options to a consultant. These options have a five-year life, and an exercise price of $0.38 and vested immediately. The $14,045 value of these options was calculated with the Black-Scholes option pricing model under the following weighted average assumptions: share price - $0.38; risk free rate of return - 0.40%; expected volatility - 100%; expected life - 5 years; expected dividend yield - 0%.

On September 3, 2020, the Company issued a total of 300,000 stock options to consultants. These options have a five-year life, and an exercise price of $0.56 and vested immediately. The $124,170 value of these options was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: share price - $0.38; risk free rate of return - 0.40%; expected volatility - 100%; expected life - 5 years; expected dividend yield - 0%.

6. Related Party Transactions

Related parties include the Board of Directors, close family members, other key management individuals and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the fair value and approved by the Board of Directors in strict adherence to conflict of interest law and regulations.

The Company incurred the following charges with directors and/or officers of the Company and/or companies controlled by them:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Consulting – President and CEO	12,500	2,000	27,500	2,000
Consulting – CFO	8,750	2,000	19,250	2,000
Consulting – Directors	---	4,000	---	4,000
Consulting – Venex Capital (controlled by a former director)	---	118,000	10,250	127,000
	21,250	**126,000**	**57,000**	**135,000**

As at September 30, 2020, included in accounts payable and accrued liabilities is $650 (December 31, 2019 - $1,081) due to the Company's President and CEO.

7. Mineral Property Interests

On August 23, 2019, the Company signed an option agreement to acquire the Shakespeare Property in Ontario. Pursuant to this agreement, the Company allotted 500,000 common shares to the individuals from whom this property was optioned. These shares were subscribed and paid for as part of the October 24, 2019 financing – see Note 4.

The following are share and exploration expenditure commitments under the option agreement:

Common share commitments:

- 500,000 common shares within 24 months from the closing date of the option agreement

Exploration commitments:

- Incur exploration expenditures of $100,000 within 12 months of the regulatory body approval of the transaction
- Incur additional exploration expenditures of $200,000 within 24 months from the closing date of the option agreement

8. Subsequent Events

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as 'COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposing quarantine period and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown currently, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future period.

On October 13, 2020, the Company granted 200,000 options to purchase common shares at an exercise price of $0.85 per share for a period of five years from the date of granting to Directors of the Company.

On October 15, 2020, the Company announced the acquisition of additional mining claims comprising approximately 330 hectares at the Company's Shakespeare Gold Project. Under the terms of the acquisition, Graycliff issued 975,000 common shares for the new claims.