

GRAYCLIFF EXPLORATION LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE
COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE YEAR ENDED December 31, 2020

The following Management Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Graycliff Exploration Limited (formerly 1093683 B.C. Ltd. and hereinafter "Graycliff" or the "Company") for the year ended December 31, 2020. The MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020. The MD&A has been prepared effective February 25, 2021.

HIGHLIGHT

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.

SCOPE OF ANALYSIS

The following is a discussion and analysis of Graycliff. The Company reports its financial results in Canadian dollars and in accordance with The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

FORWARD LOOKING STATEMENTS

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the Risks Factors section. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company may not provide updates or revise any forward-looking statements, except those otherwise required under paragraph 5.8(2) of NI 51-102, whether written or oral that may be made by or on the Company's behalf.

TRENDS

Other than as disclosed in this MD&A, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon its revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

GENERAL BUSINESS AND DEVELOPMENT

The Company is incorporated under the laws of British Columbia, Canada and is engaged in the acquisition, exploration, development and extraction of natural resources, specifically precious metals. Its head office is located at 890-1140 West Pender Street, Vancouver, BC, V6E 4G1, Canada. The Company intends on completing a prospectus for the purposes of going public.

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.

All public filings for the Company on the SEDAR website www.sedar.com.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2020 the Company had a cash balance of \$1,026,220 (December 31, 2019 - \$425,782) and working capital of \$918,776 (December 31, 2019 - \$439,270).

On January 20, 2021, Graycliff reported the completion of a non-brokered private placement offering of 400,000 units (each a "Unit") of the Company, issued at a price of \$0.50 per unit for gross proceeds of \$200,000. Each Unit is comprised of one common share of the Company and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each whole Warrant is exercisable to acquire one Common Share for a period of 24 months following the closing of the Unit offering at an exercise price of \$0.60 per Share. The Company paid finder's fee commissions of \$9,200 cash and 18,400 finder's warrants on the Financing. Each finder's warrant has a strike price of \$0.50 per share and an expiry two years from the closing.

The continuation of the Company as a going-concern is dependent on its ability to raise additional capital or debt financing, including on reasonable terms, in order to meet business objectives towards achieving profitable business operations.

SHARE CAPITAL AND OUTSTANDING SHARE DATA

Common Shares

Authorized – Unlimited Common shares without par value; and

Issued and Outstanding as at December 31, 2020: 17,889,882 (December 31, 2019: 15,354,882).

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.

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 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, resulting in a cost of \$828,750.

On December 23, 2020 the Company closed a non-brokered flow-through private placement totaling \$780,000 priced at \$0.50 per common share, resulting in the issuance of 1,560,000 common shares. In connection with this financing, the Company paid finder's fee commissions of \$61,200 cash and 113,600 broker warrants. These flow-through common shares were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be \$31,200. The flow-through premium is derecognized through income as the eligible expenditures are incurred. For the year ended December 31, 2020, the Company satisfied \$161,182 of its \$780,000 flow-through expenditure commitment by incurring eligible expenditures and as a result the flow-through premium was reduced to \$24,753. As at December 31, 2020, the Company was committed to spend \$618,818 in eligible flow-through expenditures by December 31, 2021.

RESULTS OF OPERATIONS

SELECTED QUARTERLY INFORMATION

During the year ended December 31, 2020, the Company incurred a net loss of \$1,890,911 (year ended December 31, 2019 – loss of \$287,722).

The Company commenced activities as a public company in 2020 and started active operations, resulting in increased management fees, general and administrative costs, and professional fees. During 2020, the Company incurred non-cash expenditures, specifically \$828,750 in project acquisition costs paid for through the issuance of common shares and \$311,850 for stock-based compensation calculated using the Black-Scholes option pricing model.

The major expenditures in 2019 were corporate advisory fees of \$151,750 paid to Venex Capital for managing and coordinating the listing of the Company on the Canadian Securities Exchange as well as management consulting fees. Other expenditures included \$20,000 paid for the Company's NI 43-101 technical report. The Company also advanced \$40,000 for future exploration, which is recorded in prepaid expenses. During the fourth quarter of 2019, the Company incurred \$38,000 in costs related to corporate advisory services. This liability was settled by issuing 1,900,000 common shares valued at \$0.02 per common share.

Through fiscal 2018, operations have been minimal, with the Company waiting for the right opportunity to go public and acquire assets. Consequently, costs have been insignificant. Activities ramped up during 2019, which is reflected in the financial statements for the 2019 year-end.

SUMMARY OF FINANCIAL RESULTS FOR EIGHT MOST RECENTLY COMPLETED QUARTERS

The following table summarizes the financial results of operations for the eight most recent fiscal quarters:

	Dec. 31, 2020	Sep. 30, 2020	June 30, 2020	Mar. 31, 2020
	\$	\$	\$	\$
Expenses	(1,453,724)	(322,498)	(27,618)	(93,519)
Net loss	(1,449,050)	(322,336)	(26,686)	(92,839)
Loss per share - basic & diluted	(0.09)	(0.02)	(0.00)	(0.01)
	Dec. 31, 2019	Sep. 30, 2019	June 30, 2019	Mar. 31, 2019
	\$	\$	\$	\$
Expenses	(124,766)	(152,346)	(10,010)	(600)
Net loss	(124,766)	(152,346)	(10,010)	(600)
Loss per share - basic & diluted	(0.01)	(0.02)	(0.00)	(0.00)

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 for the years ended December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
	(\$)	(\$)
Consulting – President and CEO	42,500	7,000
Consulting - CFO	29,750	5,500
Consulting – Venex Capital (controlled by a former director)	10,250	155,535
Stock-based compensation – Directors	118,435	---
Consulting – Directors	---	14,155
	200,935	182,190

Note 1 - The sole director and sole shareholder of Venex Capital is a former director, CEO and CFO of the Company and resigned as CEO and CFO on November 21, 2019 and resigned as a director on November 28, 2019, \$12,750 was paid to Venex Capital subsequent to his resignation.

On October 1, 2019, 1,900,000 of common shares were issued to settle liabilities of \$38,000. Included in this amount are \$3,750 of fees that were owed to Venex Capital and \$10,155 of fees owed to a former director. Both amounts are included in the table above.

On October 24, 2019, 300,000 of common shares were issued to settle management fees of \$6,000 payable to each of the Company's CEO, CFO and Director.

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

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.

In the December 2020 financing, the Company's President and CEO purchased 20,000 common shares for \$10,000.

CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

Measurement Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of the accounting policies to financial information presented. Actual results may differ from the estimates, assumptions and judgments made. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes made to estimates are reflected in the period the changes are made.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Significant accounting judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations that have the most significant effect on the amounts recognized in the Company's financial statements, are related to the functional currency assessment, measure of shares issued for non-cash consideration, related parties, the provision for reclamation and obligation, when and if deferred taxes are recoverable and the assumption that the Company will continue as a going concern.

The Company made a determination that its functional currency and that of its subsidiaries is the Canadian dollar. Management considered all of the relevant factors in making this determination.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Set out below is a comparison, by category, of the carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements and how the fair value of financial instruments is measured.

Fair values

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2020 and December 31, 2019, the Company did not have any financial instruments measured at fair value.

Categories of Financial Instruments	December 31, 2020	December 31, 2019
Financial Assets—amortized cost		
Cash	\$ 1,026,220	\$ 425,782
Amounts receivable	61,363	3,743
Financial Liabilities—amortized cost		
Accounts payable and accrued liabilities	\$ 185,461	\$ 32,784

The fair values of all the Company's financial instruments approximate the carrying value due to the short-term nature of the financial instruments. The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (currency fluctuations, interest rates and commodity prices). The

Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer is unable to meet its contractual obligations and arises principally from the Company's accounts receivable. The Company's cash is held with Canadian chartered banks.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company has established a standard of ensuring that it has enough resources available to withstand any downturn in the industry. As the Company's industry is very capital intensive, the majority of its spending is related to its capital programs. The Company prepares periodic capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. The Company's goal is to prudently spend its capital while maintaining its credit reputation amongst its suppliers.

Market Risk

Market risk is the risk that changes in interest rates, foreign exchange rates and commodity and equity prices will affect the Company's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in certificates of deposit issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of the Canadian chartered bank.

Commodity and equity risk

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Equity price risk is the potential adverse impact on the Company's comprehensive earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of certain precious and base metals. Precious and base metals have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals are produced in the future, a profitable market will exist for them.

CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying natural resource properties. The Company's objective is met by retaining adequate equity to guard against the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. The Company considers its capital structure to include cash and working capital. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected debt levels. To assess capital and operating efficiency and financial strength, the Company continually monitors its net cash and working capital.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for all information contained in this report. The December 31, 2020 financial statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates.

RISKS AND UNCERTAINTIES

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Only investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment should undertake such investment. Prospective investors should carefully consider the risk and uncertainties that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this discussion, including information as to future activities, events and financial or operating performance of the Company and its projects, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties that could cause actual events or results to, differ materially from estimated or anticipated activities, events or results implied or expressed in such forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies.

Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "believes", or variations of such words and phrases. Forward-looking information may also be identified in statements where certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made.

Many factors could cause actual activities and events and the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. These include metal prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions.

These forward-looking statements are made as of the date hereof and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

OTHER INFORMATION

Additional information on the Company is available on SEDAR at www.sedar.com.