GRAYCLIFF EXPLORATION LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2022

FORM 51-102F1

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 (hereinafter "Graycliff" or the "Company") for the three and six months ended June 30, 2022. The MD&A should be read in conjunction with the unaudited condensed interim financial statements for the period ended June 30, 2022 and audited financial statements and MD&A for the year ended December 31, 2021. The MD&A has been prepared effective July 30, 2022.

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 Exploration Limited. The Company reports its financial results in Canadian dollars and in accordance with *IAS 34 – Interim Financial Reporting* as issued by the International Accounting Standards Board. All reported interim financial information includes the financial results of Monterey and its subsidiaries.

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 2702-401 Bay Street Toronto, ON M5H 2Y4. The Company is listed on the Canadian Securities Exchange ("CSE"), trading under the symbol "GRAY" and effective December 16, 2020, it began trading on the OTCQB Venture Marketplace ("OTCQB") under the symbol "GRYCF"

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

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

PROPERTIES

Shakespeare Project

The Shakespeare Project ("Shakespeare" or the "Project") is located in the Sudbury Mining Division of Ontario and is approximately 88 km west of Sudbury, Ontario. The Project originally consisted of 24 mineral claims covering 516.8 ha in two contiguous blocks. The Project surrounds the historic Shakespeare gold mine, which was in operation from 1903 to 1907. A total of 2,959 oz of Au were produced from six underground levels (Gordon et al., 1979). Historic exploration was completed on the property intermittently between 1938 and 2014, including trenching, sampling and limited drilling.

The Project is located at the southern edge of the Superior Province, close to the contact with the Southern Province of the Canadian Shield. A prominent regional fault, the Murray Fault, strikes east-northeast and dips steeply to the south. The mineralized zone of the historic Shakespeare Mine was hosted by quartz-rich metasedimentary rocks and chlorite schists. Gold occurs as native metal and is associated with sulfides, including chalcopyrite, pyrrhotite and pyrite.

In August 2019, the Company signed an option agreement to acquire a 100% undivided interest in the 24 mining claims associated with the Property from the Optionor, subject to paying 500,000 shares and spending and aggregate total of $300,000 in exploration expenditures over 24 months and an additional 500,000 shares in August 2021. The Optionor retained a 2% net smelter return ("NSR") royalty, with a buy-back feature allowing Graycliff to reduce the NSR to 1% in return for a payment of $2 million. With all conditions met as of August 23, 2021, The Shakespeare Property is now wholly-owned by the Company, subject to the NSR.

In October 2020, the Company purchased an additional 15 mining claims, comprising 330 hectares, which resulted in the Company having one contiguous block of ground. Graycliff paid the vendor 975,000 common shares for a 100% undivided interest in these new mining claims.

In March 2021, Graycliff purchased a Crown Patented Lease, the two Crown Leases and a Mineral Claim, comprising 98 hectares of ground contiguous with the claims already controlled by the Company. Graycliff paid the vendor 250,000 common shares for a 100% undivided interest in this new ground.

In April 2021, the Company staked an additional 13 claims, comprising roughly 80 hectares that are connected to the Shakespeare Project, bringing the total land package to a Crown Patented Lease, two Crown Leases and 53 Mineral Claims, comprising 1,025 hectares.

The Company's 2020 field study focused on testing the mineralized trend northwest of the Former Shakespeare Gold Mine. The completed field sampling discovered a new target area called the Harmer Zone, which returned copper values as high as 3.47%. The 1.0 metre ("**m**") wide semi-massive to massive sulfide zone with quartz veining is mineralized along an east-west tending strike for 75 m.

The Company's initial drill program in 2020 consisted of 1,200 metres ('m"). The results were released in early 2021 and five of the seven holes intersected anomalous gold values. The most significant intervals were Hole 1, which returned 5.5 grams of gold per tonne ("g/t Au") over 4.6 m; Hole 3, which returned 5.4 g/t Au over 5.0 m; and Hole 7, which returned 8.6 g/t Au over 5.5 m.

The Company's second drill program in 2021 consisted of 1,700 m and the results of the final hole were released recently. Eight of the fourteen holes intersected anomalous gold values and the most significant intervals were Hole 8 with 16.4 g/t Au over 16.0 m, Hole 9 with 13.3 g/t Au over 16.0 m, Hole 17 with 4.8 g/t Au over 3.0 m, and Hole 21 with 19.4 g/t Au over 4.2 m.

The Company's third drill program consisted of 4,300 m and the results of the first eighteen holes have been released. The results from the remaining six holes should be available soon. Thirteen of the 18 holes intersected anomalous gold values and the most significant intervals were Hole 22 with 46.0 g/t Au over 4.8 m and 46.2 g/t Au over 2.7 m, Hole 31 with 20.52 grams of g/t Au over 2.0 m and Hole 36 with 6.23 g/t Au over 5.0 m. Holes 34 through 39 all contained anomalous intersections.

Baldwin Project

In May 2021, Graycliff purchased the Baldwin Project ("Baldwin"), which is also located in the Sudbury Mining Division of Ontario and is approximately 88 km west of Sudbury, Ontario. The Baldwin consists of 68 mineral claims covering roughly 1,500 hectares in two contiguous blocks. The property is adjacent to the east of the Shakespeare Project. Graycliff paid the vendor 1,800,000 common shares for a 100% interest in this new ground. The Vendor retained a 2% net smelter return ("NSR") royalty, with a buy-back feature allowing Graycliff to reduce the NSR to 1% in return for a payment of $1 million. Field work will be carried out in 2022.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2022, the Company had a cash balance of $139,240 compared to a cash balance of $841,319 at December 31, 2021. The Company had working capital $256,882 at June 30, 2022 (December 31, 2021 – working capital of $2,113,412).

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.

RESULTS OF OPERATIONS

SELECTED QUARTERLY INFORMATION

During the three and six months ended June 30, 2022, the Company incurred a net losses of $1,046,007 and 1,856,530, respectively (three and six months ended June 30, 2021 – losses of $1,999,718 and $2,555,861, respectively).

Management fees increased during 2022 compared to 2021, as Management fees increased commensurate with Company activity.

The Company began its exploration program in late 2020 but didn't begin with great vigor until 2021, incurring exploration expenses of $870,143 and $1,485,668, respectively, during the three and six months ended June 30, 2022 (three and six months ended June 30, 2021- $426,245 and $563,406, respectively). With its shares trading on the Canadian Securities Exchange, the Company incurred promotion and shareholder communication expenses of $64,233 and $128,666, respectively, for the three and six months ended June 30, 2022, compared to $47,010 and $172,054, respectively, for the three and six months ended June 30, 2021, with the overall decline in 2022 compared to 2021 primarily resulting from a weaker market.

For the three and six months ended June 30, 2021, the Company incurred project acquisition costs of $936,000 and $1,161,000, respectively. These are non-cash in nature, representing the issuance of common shares to acquire mining claims.

Stock-based compensation is non-cash in nature, with the expense recognized when the options vest. The $501,120 value of these options was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: share price - $0.75; risk free rate of return – 0.90%; expected volatility - 100%; expected life - 5 years; expected dividend yield - 0%.

The Company engaged with third parties to provide corporate advisory services, with $37,707 and $75,000 in fees paid in the three and six months ended June 30, 2022 ($NIL was paid for corporate advisory services in 2021).

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:

	Jun. 30, 2022 $	Mar. 31, 2022 $	Dec. 31, 2021 $	Sep. 30, 2021 $
Expenses	(1,047,723)	(812,116)	(1,485,149)	(788,004)
Net loss	(1,046,007)	(810,523)	(1,483,333)	(774,273)
Loss per share - basic & diluted	(0.03)	(0.03)	(0.07)	(0.03)
	Jun. 30, 2021 $	**Mar. 31, 2021 $**	**Dec. 31, 2020 $**	**Sep. 30, 2020 $**
Expenses	(2,004,607)	(587,135)	(1,453,724)	(322,498)
Net loss	(1,999,718)	(556,143)	(1,449,050)	(322,336)
Loss per share - basic & diluted	(0.08)	(0.03)	(0.09)	(0.02)

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 three and six-month periods ended June 30, 2022 and 2021:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	$	$	$	$
Consulting – President and CEO	22,500	18,000	45,000	33,000
Consulting – CFO	15,000	13,500	30,000	24,000
	37,500	31,500	75,000	57,000

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 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, 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 June 30, 2022 and December 31, 2021, the Company did not have any financial instruments measured at fair value.

Categories of Financial Instruments	**June 30, 2022**	**December 31, 2021**
Financial Assets—other receivables		
Cash	**$ 139,240**	$ 841,319
Marketable securities	**301,175**	752,848
Amounts receivable	**139,445**	236,501
Financial Liabilities—other financial liabilities		
Accounts payable and other liabilities	**428,025**	63,447

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 June 30, 2022 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.

SUBSEQUENT EVENTS

On July 12, 2022, the Company closed the first tranche of a private placement, issuing 2,950,000 units for gross proceeds of $590,000. Each unit consisted of one (1) common share and one (1) non-transferable common share purchase warrant (a "**Warrant**"). Each Warrant will entitle the holder to purchase one additional common share at a price of $0.30 for a period of 36 months from the date of issue.

DISCLOSURE OF OUTSTANDING SHARE DATA (as of July 30, 2022)

Common Shares Authorized:

Unlimited number of common shares with no par value

Common Shares Issued:

33,119,675 common shares issued and outstanding.

Warrants:

7,335,301 warrants, exercisable into 7,335,301 common shares at exercise prices ranging from $0.30 up to $1.00 with expiry dates ranging from January 19, 2023, through until July 12, 2025.

Stock Options:

2,775,000 options, exercisable into 2,775,000 common shares at exercise prices ranging from $0.15 up to $0.85 with expiry dates ranging from December 3, 2024, through until May 15, 2026.