

GRAYCLIFF EXPLORATION LIMITED

Condensed Interim Financial Statements (Unaudited)

For the Three and Nine Months Ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

GRAYCLIFF EXPLORATION LIMITED
Condensed Interim Statements of Financial Position
(unaudited)
As at September 30, 2022 and December 31, 2021
Expressed in Canadian dollars

	September 30, 2022	December 31, 2021
ASSETS		
Current assets		
Cash	\$ 311,277	\$ 841,319
Marketable securities	304,593	752,848
Amounts receivable	21,108	236,501
Prepaid expenses	139,489	346,191
	776,467	2,176,859
Right-of-use asset (Note 9)	82,864	---
	\$ 859,331	\$ 2,176,859
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 107,848	\$ 63,447
Lease liability (Note 9)	12,058	---
	119,656	63,447
Long-term lease liability (Note 9)	73,068	---
Total liabilities	192,974	63,447
Shareholders' equity		
Share capital (Note 6)	7,416,851	7,018,276
Contributed surplus	1,030,901	1,030,901
Warrants	1,287,810	1,063,110
Deficit	(9,069,205)	(6,998,875)
	666,357	2,113,412
	\$ 859,331	\$ 2,176,859

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 10)

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

On behalf of the Board,

"Signed"
David Lees
David Lees
Director

"Signed"
James Macintosh
James Macintosh
Director

GRAYCLIFF EXPLORATION LIMITED

Unaudited Condensed Interim Statements of Loss and Comprehensive Loss

(unaudited)

For the three and nine months ended September 30, 2022 and 2021

Expressed in Canadian dollars

	Three Months		Nine Months	
	2022	2021	2022	2021
Operating Expenses				
Exploration and evaluation	\$ 55,940	\$ 346,817	\$1,541,608	\$ 910,223
Promotion and shareholder communication	64,201	114,163	192,867	286,217
Management fees (Note 7)	37,500	37,500	112,500	94,500
General and administrative costs	30,052	47,327	101,704	117,974
Corporate advisory fees (Note 7)	20,000	---	95,000	60,000
Professional and consulting fees	---	4,697	25,853	11,212
Amortization	5,815	---	5,815	---
Project acquisition costs	---	237,500	---	1,398,500
Stock-based compensation	---	---	---	501,120
Net loss and comprehensive loss before other items	(215,508)	(788,004)	(2,075,347)	(3,379,746)
Deferred income tax recovery	---	10,881	---	24,753
Gain on conversion of convertible debenture	---	---	---	22,009
Interest income (Note 3)	1,708	2,850	5,017	2,850
Net loss and comprehensive loss for the period	\$(213,800)	\$(774,273)	\$(2,070,330)	\$(3,330,134)
Basic and diluted loss per common share (Note 9)	\$ (0.01)	\$ (0.03)	\$ (0.07)	\$ (0.15)
Weighted average number of shares outstanding during the period – basic and diluted	32,794,132	24,954,132	30,992,739	22,230,443

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

GRAYCLIFF EXPLORATION LIMITED

Unaudited Condensed Interim Statements of Changes in Shareholders' Equity

(unaudited)

For the nine months ended September 30, 2022 and 2021

Expressed in Canadian dollars

	Shares Outstanding	Share Capital	Warrants	Contributed Surplus	Equity Component of Convertible Debenture	Deficit	Total
	(##)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Balance at December 31, 2020	17,889,882	2,206,479	39,238	311,850	114,221	(2,185,408)	486,380
Issue of share capital - private placements (Note 6)	3,521,332	1,955,728	491,833	---	---	---	2,477,561
Issue of share capital - acquisition of mining claims (Note 6)	2,550,000	1,398,500	---	---	---	---	1,398,500
Conversion of convertible debentures (Note 5)	905,961	543,577	---	---	(114,221)	---	429,356
Vesting of stock-based compensation	---	---	---	501,120	---	---	501,120
Issue of share capital – stock option exercise, cash	375,000	67,750	---	---	---	---	67,750
Stock option exercise, book value	---	36,470	---	(36,470)	---	---	---
Net loss for the period	---	---	---	---	---	(3,330,134)	(3,330,134)
Balance at September 30, 2021	25,242,175	6,208,504	531,071	776,500	---	(5,515,542)	2,000,533
Balance at December 31, 2021	30,003,801	7,018,276	1,063,110	1,030,901	---	(6,998,875)	2,113,412
Issue of share capital - private placements (Note 6)	3,050,000	346,325	224,700	---	---	---	571,025
Issue of share capital – debt settlement (Note 6)	165,874	52,250	---	---	---	---	52,250
Net loss for the period	---	---	---	---	---	(2,070,330)	(2,070,330)
Balance at September 30, 2022	33,219,675	7,416,851	1,287,810	1,030,901	---	(9,069,205)	666,357

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

GRAYCLIFF EXPLORATION LIMITED
Condensed Interim Statements of Cash Flows

(unaudited)

For the nine months ended September 30, 2022 and 2021

Expressed in Canadian dollars

	2022	2021
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	\$ (2,070,330)	\$ (3,330,134)
Vesting of share issue costs	---	501,120
Common shares issued for mining claims	---	1,398,500
Deferred income tax recovery	---	(24,753)
Accrued interest on convertible debenture	---	6,462
Loan accretion on convertible debenture	---	12,507
Gain on conversion of debenture	---	(22,009)
Net change in non-cash working capital balances:		
Amounts receivable	215,393	(21,963)
Prepaid expenses	206,702	(211,133)
Accounts payable and accrued liabilities	44,401	(149,137)
Net cash flows used in operating activities	(1,603,834)	(1,840,540)
INVESTING ACTIVITIES		
Marketable securities	448,255	---
Net cash flows from investing activities	448,225	---
FINANCING ACTIVITIES		
Issue of share capital – private placements, net of issuance costs	623,275	2,447,561
Payment of lease principal	2,262	---
Stock option exercise	---	67,750
Net cash flows from financing activities	625,537	2,515,311
Net increase (decrease) in cash	(530,042)	647,771
Cash, beginning of the period	841,319	1,026,220
Cash, end of the period	\$ 311,277	\$ 1,700,991

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

GRAYCLIFF EXPLORATION LIMITED

Notes to the Condensed Interim Financial Statements (unaudited)

For the nine months ended September 30, 2022 and 2021

Expressed in Canadian dollars unless otherwise indicated

1. Nature of Operations and Going Concern

Graycliff Exploration Limited (formerly 1093683 B.C. 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 401 Bay Steet, Suite 2702, Toronto, Ontario, Canada. The Company is listed on the Canadian Securities Exchange, trading under the symbol “GRAY” and effective December 16, 2020, it began trading on the OTCQB Venture Marketplace (“OTCQB”) under the symbol “GRYCF”

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 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, 2022, the Company had a working capital balance of \$656,811 (December 31, 2021 - \$2,113,412) and an accumulated deficit of \$9,069,205 (December 31, 2021 - \$6,998,875). 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.

The accompanying annual financial statements have been prepared using International Financial Reporting Standards applicable to a going concern. 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.

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital.

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.

GRAYCLIFF EXPLORATION LIMITED

Notes to the Condensed Interim Financial Statements (unaudited)

For the nine months ended September 30, 2022 and 2021

Expressed in Canadian dollars unless otherwise indicated

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 2, 2022, 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, 2021, 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, 2021 could result in restatement of these unaudited condensed interim financial statements.

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.

Recent Accounting Pronouncements

At the date of authorization of these unaudited condensed interim financial statements, the IASB and the IFRIC have issued the following amendments which are effective for annual periods beginning on or after January 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact upon the adoption of the following amendments on its financial statements:

Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. Early application is permitted.

GRAYCLIFF EXPLORATION LIMITED

Notes to the Condensed Interim Financial Statements (unaudited)

For the nine months ended September 30, 2022 and 2021

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2. Basis of Presentation (Cont'd)

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”)

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

Amendments to IAS 8

In February 2021, the IASB issued Definition of Accounting Estimates, which amended IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

3. Amounts 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 as of June 30, 2022. The outstanding accrued interest was received in full.

4. Flow-through Share Premium Liability

The flow-through common shares issued in a financing are often issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium is recorded as a liability and derecognized through income as the eligible expenditures are incurred. At September 30, 2022, there is no flow-through premium recorded.

As of June 30, 2022, the Company met all of its flow-through obligations (as at December 31, 2021 – had an obligation to incur \$1,338,402 in eligible exploration expenditures on or before December 31, 2022).

5. Convertible Debenture

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 had a maturity of twenty-four months and bore interest at a rate of 5% per annum, payable at maturity in cash or common shares of the Company (“Common Shares”) at a conversion price of \$0.60 per common share. Each holder had the option to convert prior to maturity at the same conversion price.

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.

GRAYCLIFF EXPLORATION LIMITED

Notes to the Condensed Interim Financial Statements (unaudited)

For the nine months ended September 30, 2022 and 2021

Expressed in Canadian dollars unless otherwise indicated

5. Convertible Debenture (Cont'd)

During the year ended December 31, 2020, the Company recorded accretion expense of \$13,026 and interest expense of \$7,042 as finance interest expense in profit and loss.

Principal amount	\$ 530,000
Equity allocation – conversion feature	(114,969)
Transaction costs	(3,450)
Transaction costs allocated to equity	747
Interest expense	7,042
Accretion expense	13,026
Balance, December 31, 2020	\$ 432,396
Interest expense	6,462
Accretion expense	12,507
Balance on conversion	\$ 451,365

On March 31, 2021, these debentures were converted to common shares in advance of their maturity date. As a result of the early conversion, the Company issued 905,961 common shares, including 22,628 common shares that were issued for the accrued interest on the Debentures. The Company recognized a gain on conversion of \$22,009 representing the difference between the principal amount of the debt and accrued interest thereon and the discounted book value of the debt.

6. Share Capital

Common Shares Authorized

Unlimited number of common shares with no par value

Common Shares Issued:

	Number of Shares	Amount
Balance, December 31, 2020	17,889,882	\$ 2,206,479
Acquisition of mining claims	2,550,000	1,398,500
Issued on private placements	8,282,958	4,063,237
Cash share issue costs	---	(273,865)
Warrant allocation	---	(1,023,872)
Conversion of debentures	905,961	543,577
Exercise of stock options	375,000	104,220
Balance, December 31, 2021	30,003,801	\$ 7,018,276
Issued on settlement of accounts payable	165,874	52,250
Issued on private placements	3,050,000	610,025
Cash share issue costs	---	(39,000)
Warrant allocation	---	(224,700)
Balance, September 30, 2022	33,219,675	\$ 7,416,851

On January 20, 2021, Graycliff completed a non-brokered private placement offering of 400,000 units issued at a price of \$0.50 per unit for gross proceeds of \$200,000. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share for a period of 24 months following the closing at an exercise price of \$0.60 per common 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.

On March 30, 2021, the Company issued 250,000 common shares, to acquire key mining leases and claims which consolidate the ground surrounding the Shakespeare Gold Mine located within Graycliff's Shakespeare Gold Project. These shares were valued at \$225,000.

GRAYCLIFF EXPLORATION LIMITED

Notes to the Condensed Interim Financial Statements (unaudited)

For the nine months ended September 30, 2022 and 2021

Expressed in Canadian dollars unless otherwise indicated

6. Share Capital (Cont'd)

On April 8, 2021 and April 21, 2021, a total of 375,000 options were exercised resulting in \$67,750 in proceeds for the Company.

On April 14, 2021, the Company completed a non-brokered private placement offering of 1,246,333 non flow-through units (the "NFT Unit") at \$0.75 per NFT Unit and 1,875,000 flow through shares ("FT Share") at a price of \$0.80 per FT Share of the Company for gross proceeds of \$2,434,750. Each NFT Unit consists of one common share which is not a "flow-through" share and one-half purchase warrant ("NFT Warrant"). Each whole NFT Warrant will entitle the holder to purchase one additional common share which is not a "flow-through" share at a price of \$1.00 for two years from the closing. The Company paid finder's fee commissions of \$167,808 cash and issued 214,993 finder's warrants on the Financing. Each finder's warrant has an exercise price of \$0.75 per share and an expiry two years from the closing.

On May 12, 2021, the Company acquired additional mining claims adjacent to the Company's Shakespeare Gold Project. Under the terms of the acquisition, Graycliff issued 1,800,000 common shares (recorded as project acquisition costs in operations), valued at \$936,000, for a 100% interest in the Baldwin Project, subject to a 2% net smelter return royalty.

On August 23, 2021, pursuant to its Shakespeare Property option agreement (see Note 12), Graycliff issued 500,000 common shares, valued at \$237,500 recorded as project acquisition costs in operations.

On December 7, 2021, Graycliff completed the first tranche of a private placement offering of 3,589,963 flow-through units ("FT Unit") at a price of \$0.30 per FT Unit of the Company for gross proceeds of \$1,076,990. Each FT Unit consists of one common share and one-half (½) purchase warrant with each whole warrant entitling the holder to purchase one common share at a price of \$0.45 for a period of two years from the closing date. The Company paid finders fees of \$73,499 in connection with this financing.

On December 15, 2021, Graycliff completed the second and final tranche of a private placement offering. The second tranche of the financing consisted of 1,171,663 Units (each, a "Unit") of the Company, issued at a price of \$0.30 per Unit for gross proceeds of \$351,499. Each Unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one common share at a price of \$0.45 for a period of two years from the closing date.

On April 12, 2022, the company issued 165,874 common shares to settle \$52,250 in payables.

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 common share and one common share purchase warrant. Each Warrant entitles 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. On September 7, the Company closed the second and final closing of this financing, raising an additional \$20,000 and issuing 100,000 units. In connection with the first closing of the private placement, the Company paid a cash finder's fee of \$32,000 and issued 160,000 finder's warrants, representing 8% cash and 8% finder's warrants. The Company did not pay finder's fees as part of the second close. The terms of the finders' warrants are identical to the warrants attached to the financing.

Warrants

In connection with the January 20, 2021, financing, the Company issued 200,000 warrants with an exercise price of \$0.60 per common share and 18,400 broker warrants, with each broker warrant having an exercise price of \$0.50 per common share. All these warrants have an expiry two years from the date of issuance. The \$64,733 value of these warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: share price - \$0.47; risk free rate of return - 0.16%; expected volatility - 141%; expected life - 2 years; expected dividend yield - 0%.

In connection with the April 14, 2021, financing, the Company issued 623,166 warrants with an exercise price of \$1.00 per common share and 214,993 broker warrants, with each broker warrant having an exercise price of \$0.75 per common share. All these warrants have an expiry two years from the date of issuance. The \$623,669 value of these warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: share price - \$1.00; risk free rate of return - 0.24%; expected volatility - 154%; expected life - 2 years; expected dividend yield - 0%.

GRAYCLIFF EXPLORATION LIMITED

Notes to the Condensed Interim Financial Statements (unaudited)

For the nine months ended September 30, 2022 and 2021

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6. Share Capital (Cont'd)

In connection with the December 7, 2021, financing, the Company issued 1,794,981 warrants with an exercise price of \$0.45 per common share and 248,497 broker warrants, with each broker warrant having an exercise price of \$0.30 per common share. All of these warrants have an expiry two years from the date of issuance. The \$193,818 value of these warrants, and \$31,654 value of these finders warrants, was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: share price - \$0.23; risk free rate of return - 1.14%; expected volatility - 119%; expected life - 2 years; expected dividend yield - 0%.

In connection with the December 15, 2021, financing, the Company issued 1,171,663 warrants with an exercise price of \$0.45 per common share. All of these warrants have an expiry two years from the date of issuance. The \$109,998 value of these warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: share price - \$0.21; risk free rate of return - 0.95%; expected volatility - 119%; expected life - 2 years; expected dividend yield - 0%.

In connection with the July 12, 2022, financing, the Company issued 2,950,000 warrants with an exercise price of \$0.30 per common share. All of these warrants have an expiry three years from the date of issuance. The \$206,500 value of these warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: share price - \$0.18; risk free rate of return - 3.75%; expected volatility - 75%; expected life - 3 years; expected dividend yield - 0%.

On July 14, 2022, financing, the Company issued 160,000 finders warrants with an exercise price of \$0.30 per common share. All of these warrants have an expiry three years from the date of issuance. The \$11,200 value of these warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: share price - \$0.18; risk free rate of return - 3.75%; expected volatility - 75%; expected life - 3 years; expected dividend yield - 0%.

In connection with the September 7, 2022, financing, the Company issued 100,000 warrants with an exercise price of \$0.30 per common share. All of these warrants have an expiry three years from the date of issuance. The \$7,000 value of these warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: share price - \$0.18; risk free rate of return - 3.75%; expected volatility - 75%; expected life - 3 years; expected dividend yield - 0%.

At September 30, 2022, there were 7,595,300 warrants outstanding, with each warrant entitling the holder to acquire one common share of the Company at the prices noted below:

Number	Value Assigned	Exercise Price	Remaining Contractual Life In Years	Expiry Date
132,000	\$ 43,617	\$0.50	0.30	January 19, 2023
200,000	60,354	\$0.60	0.30	January 19, 2023
623,166	457,588	\$1.00	0.54	April 14, 2023
214,993	166,081	\$0.75	0.54	April 14, 2023
1,794,981	193,818	\$0.45	1.19	December 7, 2023
248,497	31,654	\$0.30	1.19	December 7, 2023
1,171,663	109,998	\$0.45	1.21	December 15, 2023
2,950,000	206,500	\$0.30	2.78	July 12, 2025
160,000	11,200	\$0.30	2.79	July 14, 2025
100,000	7,000	\$0.30	2.94	September 7, 2025
7,595,300	\$ 1,287,810	\$0.44	1.76	

GRAYCLIFF EXPLORATION LIMITED

Notes to the Condensed Interim Financial Statements (unaudited)

For the nine months ended September 30, 2022 and 2021

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6. Share Capital (Cont'd)

Stock Options

On April 8, 2021, and April 21, 2021, a total of 375,000 options were exercised.

On April 23, 2021, the Company granted 900,000 options, vesting immediately, to purchase common shares at an exercise price of \$0.75 per share for a period of five years from the date of granting to Directors and consultants of the Company. The \$615,391 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 - 151%; expected life - 5 years; expected dividend yield - 0%.

On December 17, 2021, the Company granted 900,000 options, vesting immediately, to purchase common shares at an exercise price of \$0.25 per share for a period of five years from the date of granting to Directors and consultants of the Company. The \$140,130 value of these options was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: share price - \$0.215; risk free rate of return - 1.18%; expected volatility - 100%; expected life - 5 years; expected dividend yield - 0%.

On September 30, 2022, 125,000 options with an exercise price of \$0.75 and 50,000 options with an exercise price of \$0.85, expired unexercised.

The movement in the Company's share options are as follows:

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 2020	1,350,000	\$ 0.35
Granted	900,000	0.75
Exercised	(325,000)	0.15
Exercised	(50,000)	0.38
Granted	900,000	0.25
Balance, December 31, 2021 and September 30, 2022	2,775,000	\$ 0.39
Expired	(175,000)	0.78
Balance, September 30, 2022	2,600,000	\$ 0.45

At September 30, 2022, the Company has outstanding share purchase options enabling holders to acquire common shares of the company as follows:

Grant Date	Options Outstanding	Options Vested	Remaining Contractual Life In Years	Exercise Price (\$)	Expiry Date
December 4, 2019	475,000	475,000	2.18	0.15	December 4, 2024
September 3, 2020	300,000	300,000	2.93	0.56	September 3, 2025
October 13, 2020	150,000	200,000	3.04	0.85	October 13, 2025
April 23, 2021	775,000	900,000	3.56	0.75	April 23, 2026
December 17, 2021	900,000	900,000	4.22	0.25	December 17, 2026
	2,600,000	2,600,000	3.43	0.45	

GRAYCLIFF EXPLORATION LIMITED

Notes to the Condensed Interim Financial Statements (unaudited)

For the nine months ended September 30, 2022 and 2021

Expressed in Canadian dollars unless otherwise indicated

7. 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 nine-month periods ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Consulting – President and CEO	22,500	22,500	67,500	55,500
Consulting – CFO	15,000	15,000	45,000	39,000

8. 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.

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

Share commitments:

- 500,000 shares within 24 months from the closing date of the option agreement (completed).

Exploration commitments:

- Incur exploration expenditures of \$100,000 within 12 months of the regulatory body approval of the transaction (completed).
- Incur additional exploration expenditures of \$200,000 within 24 months from the closing date of the option agreement; and an additional 500,000 shares (completed).

On October 15, 2020, the Company announced the acquisition of 15 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.

During the year ended December 31, 2021, the Company issued 2,550,000 common shares for acquisition of mining claims in Shakespeare Gold Project (see Note 6).

9. Loss Per Share

The calculation of basic loss per share for the three and nine months ended September 30, 2022 was based on total loss attributable to common shareholders of \$213,800 and \$2,070,330, respectively (2021– loss of \$774,273 and \$3,330,134, respectively) and a weighted average number of common shares outstanding of 30,992,740 and 32,794,132, respectively (2021 – 24,954,132 and 22,230,443, respectively).

Diluted loss per share equals basic loss per share as all outstanding options and warrants were anti-dilutive for all periods presented.

GRAYCLIFF EXPLORATION LIMITED

Notes to the Condensed Interim Financial Statements (unaudited)

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Expressed in Canadian dollars unless otherwise indicated

9. Right of Use Asset and Lease Liability

On June 1, 2022, the Company entered into a lease agreement for office space in Ontario, Canada. The monthly rent payable under the terms of the lease is \$1,980 for June 1, 2022 to May 31, 2023, \$2,048 from June 1, 2023 to May 31, 2024, \$2,116 from June 1, 2024 to May 31, 2025, \$2,149 from June 1, 2025 to May 31, 2026, and \$2,217 from June 1, 2026 to June 30, 2027. The rent payable is subject to changes. The lease is for fixed term of five years and one month commencing June 1, 2022. The Company used a discount rate of 15% in determining the present value of the lease payments.

	Sep. 30, 2022
Lease liability at beginning of year	\$ 88,679
Interest expense	4,368
Lease payments	(7,921)
Lease liability at end of period	\$ 85,126

Below summarizes the right of use asset as at September 30, 2022:

	Sep. 30, 2022
Net book value at beginning of year	\$ 88,679
Amortization expense	(5,815)
Net book value at end of period	\$ 82,864