GRAYCLIFF EXPLORATION LIMITED
Annual Audited Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Graycliff Exploration Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Graycliff Exploration Limited (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the financial statements, which indicates that the Company incurred a comprehensive loss of $2,264,853 during the year ended December 31, 2022. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
March 21, 2023

2560 MATHESON BLVD E., SUITE 527, MISSISSAUGA, ON L4W 4Y9 | (647) 969-7382 | INFO@CLEARHOUSE.CA | CLEARHOUSE.CA

GRAYCLIFF EXPLORATION LIMITED

Statements of Financial Position

As at December 31, 2022 and 2021

Expressed in Canadian dollars

		December 31, 2022		December 31, 2021
ASSETS				
Current assets				
Cash	**$**	**40,283**	$	841,319
Marketable securities		**307,313**		752,848
Amounts receivable (Note 5)		**19,692**		236,501
Prepaid expenses		**145,817**		346,191
		513,105		2,176,859
Non-current assets				
Right-of-use asset *(Note 14)*		**78,502**		---
	$	**591,607**	$	2,176,859
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**37,430**	$	63,447
Lease liability *(Note 14)*		**12,058**		---
		49,488		63,447
Non-current liabilities				
Long-term lease liability *(Note 14)*		**70,285**		---
Total liabilities		**119,773**		63,447
Shareholders' equity				
Share capital *(Note 8)*		**7,373,988**		7,018,276
Contributed surplus		**1,030,901**		1,030,901
Warrants *(Note 8)*		**1,330,673**		1,063,110
Deficit		**(9,263,728)**		(6,998,875)
		471,834		2,113,412
	$	**591,607**	$	2,176,859

Nature of Operations and Going Concern *(Note 1)*
Subsequent Events *(Note 16)*

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

On behalf of the Board,

"Signed"
David Lees
David Lees
Director

"Signed"
James Macintosh
James Macintosh
Director

GRAYCLIFF EXPLORATION LIMITED

Statements of Loss and Comprehensive Loss

For the years ended December 31, 2022 and 2021

Expressed in Canadian dollars

	2022	2021
Expenses		
Exploration and evaluation (*Note 12*)	**$ 1,583,923**	$ 1,855,406
General administrative	**59,553**	92,248
Management fees *(Note 11)*	**229,500**	210,000
Promotion and shareholder communication	**247,738**	407,236
Corporate advisory *(Note 11)*	**95,000**	96,000
Professional fees	**46,701**	13,984
Amortization (Note 14)	**10,176**	---
Property acquisition costs *(Note 12)*	**---**	1,398,500
Stock option compensation (*Note 11*)	**---**	755,521
Directors fees *(Note 11)*	**---**	36,000
Loss and comprehensive loss before other items	**2,272,591**	4,864,895
Interest income	**(7,738)**	(4,666)
Deferred income tax recovery *(Note 15)*	**---**	(24,753)
Gain on conversion of convertible debenture *(Note 7)*	**---**	(22,009)
Loss and comprehensive loss for the year	**$ 2,264,853**	$ 4,813,467
Basic and diluted loss per common share *(Note 13)*	**$ (0.07)**	$ (0.21)
Weighted average number of shares outstanding during the year - basic and diluted	**31,554,050**	23,290,023

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

GRAYCLIFF EXPLORATION LIMITED
Statements of Changes in Shareholders' Equity
For the years ended December 31, 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 8)*	8,282,958	2,765,500	1,023,872	---	---	---	3,789,372
Issue of share capital - acquisition of mining claims *(Note 8)*	2,550,000	1,398,500	---	---	---	---	1,398,500
Conversion of convertible debentures *(Note 7)*	905,961	543,577	---	---	(114,221)	---	429,356
Vesting of stock-based compensation	---	---	---	755,521	---	---	755,521
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 year	---	---	---	---	---	(4,813,467)	(4,813,467)
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 8)*	3,050,000	303,462	267,563	---	---	---	571,025
Issue of share capital – debt settlement *(Note 8)*	165,874	52,250	---	---	---	---	52,250
Net loss for the year	---	---	---	---	---	(2,264,853)	(2,264,853)
Balance at December 31, 2022	**33,219,675**	**7,373,988**	**1,330,673**	**1,030,901**	**---**	**(9,263,728)**	**471,834**

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

GRAYCLIFF EXPLORATION LIMITED
Statements of Cash Flows
For the years ended December 31, 2022 and 2021
Expressed in Canadian dollars

	2022	2021
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	**$ (2,264,853)**	$ (4,813,467)
Items not affecting cash:		
Amortization	**10,176**	---
Common shares issued in settlement for debt	**52,500**	---
Interest accretion on lease liability	**7,526**	---
Vesting of stock-based compensation	---	755,521
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	**216,809**	(175,137)
Prepaid expenses	**200,374**	(304,785)
Accounts payable and accrued liabilities	**(26,242)**	(122,014)
Net cash flows used in operating activities	**(1,803,710)**	(3,289,175)
INVESTING ACTIVITIES		
Marketable securities	**445,535**	(752,848)
Net cash flows from (used in) investing activities	**445,535**	(752,848)
FINANCING ACTIVITIES		
Issue of share capital – private placements, net of issuance costs	**571,000**	3,789,372
Payment of lease principal	**(13,861)**	---
Stock options exercise	**---**	67,750
Net cash flows from financing activities	**557,139**	3,857,122
Net decrease in cash	**(801,036)**	(184,901)
Cash, beginning of the year	**841,319**	1,026,220
Cash, end of the year	**$ 40,283**	$ 841,319

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

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 890-1140 West Pender Street, Vancouver, BC, V6E 4G1, Canada. The Company is listed on the Canadian Securities Exchange, trading under the symbol "GRAY" and effective December 16, 2020, it begin 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.

The Company incurred a net loss of $2,264,853 during the year ended December 31, 2022 (December 31, 2021 - $4,813,467) and had an accumulated deficit of $9,263,728 at December 31, 2022 (December 31, 2021 - $6,998,875). Given the Company's need to raise capital to fund ongoing operations, these conditions indicate that material uncertainties exist that may cast significant doubt on 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.

2. Basis of Presentation

Statement of compliance:

The financial statements for the year ended December 31, 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee ("IFRIC").

The policies applied in these Financial Statements are based on the IFRS and were authorized for issuance by the Board of Directors of the Company on March 17, 2023.

<u>Basis of Measurement</u>:

The financial statements have been prepared on a historical cost basis, with the exception of certain financial assets and liabilities which are measured at fair-value, as explained in the accounting policies.

2. Basis of Presentation (Cont'd)

Functional and presentation currency:

The financial statements are presented in Canadian dollars, which is also the functional currency of the corporate offices located in Canada.

Use of Estimates and Judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in Note 4.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been adopted for the years ended December 31, 2022 and 2021 and have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

a) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

b) Finance Income and Expenses

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues using the effective interest method. Finance income is considered an operating activity for cash flow purposes.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized using the effective interest method. Finance costs are considered an operating activity for cash flow purposes.

c) Income Taxes

Tax expense comprises current and deferred tax. Tax is recognized in the statement of loss except to the extent it relates to items recognized in other comprehensive loss or directly in equity.

i) Current Income tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases.

3. Summary of Significant Accounting Policies (Cont'd)

ii) Deferred tax (cont'd)

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if where the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

iii) Deferred Tax Liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled, and it is probable that the difference will not reverse in the foreseeable future;
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes;
- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

d) Loss Per Share

Basic Loss Per Share is calculated by dividing total loss from continuing operations attributable to owners of the Company (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator (number of shares) is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted Loss Per Share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential shares. The effects of anti-dilutive potential shares are ignored in calculating diluted Loss Per Share. All options are considered anti-dilutive when the Company is in a loss position.

e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

f) Mineral properties

The Company charges to operations all mineral property acquisition costs and exploration and evaluation expenses incurred prior to the determination of economically recoverable reserve. These costs would also include periodic fees such as license and maintenance fees. Mineral property acquisition costs include cash consideration and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

3. Summary of Significant Accounting Policies (Cont'd)

g) Share-based compensation transactions

Shared-based compensation transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based compensation transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, such as share-based payments to employees, they are measured at fair value of the share-based payment. Share-based payments to employees of the subsidiaries are recognized as cash settled share-based compensation transactions.

Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in "equity settled share-based payments reserve".

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options (if any) is reflected as additional dilution in the computation of loss per share.

h) Financial assets and liabilities

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either FVPL or FVOCI, and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Cash and amounts receivable held for collection of contractual cash flows are measured at amortized cost.

3. Summary of Significant Accounting Policies (Cont'd)

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Subsequent measurement – Financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of loss. The Company does not measure any financial assets at FVPL.

Subsequent measurement – Financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of loss when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial asset subject to impairment is HST/GST receivable, which is measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities and lease liability, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

3. Summary of Significant Accounting Policies (Cont'd)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

(i) Restoration, rehabilitation and environmental provisions

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by exploration and evaluation activities by the Company. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged to the statements of comprehensive loss over the economic life of the related asset, through depreciation using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided.

The Company had no provisions at December 31, 2022 and 2021.

(j) Flow-through shares

Flow-through shares are a unique Canadian tax incentive. Using IAS 8 '*Accounting Policies, Changes in Accounting Estimates and Errors*', the Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A flow-through share premium liability is recognized for the premium paid by the investors and is then recognized in the statement of comprehensive loss in the period expenditure requirements are met.

(k) Compound instruments - convertible debenture

The components of compound instruments issued by the Company are classified separately as financial

liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar non-convertible instrument. This amount is recorded as a liability, at amortized cost, using the effective interest rate method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component of the total fair value of the compound instrument. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured.

(k) Compound instruments - convertible debenture (cont'd)

Transaction costs related to the issuance of the convertible debenture are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debenture using the effective interest method. Interest and accretion expense are recognized as a finance cost in the consolidated statements of comprehensive loss.

(k) Leases

IFRS 16 introduced a single, on-balance sheet accounting model for leases. The Company, as a lessee, has recognized right-of use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

3. Summary of Significant Accounting Policies (Cont'd)

The Company recognized a right-of-use asset and a lease liability at the lease commencement date of June 1, 2022. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation or impairment losses and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company primarily uses its incremental borrowing rate as the discount rate. The weighted average discount rate used was 15% at the time of adoption June 1, 2022. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Company has furthermore applied judgment to determine the applicable discount rate. The discount rate is based on the Company's incremental borrowing rate and reflects the current market assessments of the time value of money and the associated risks for which the estimates of future cash flows have not been adjusted for.

4. Critical Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting year. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statement are discussed below:

<u>Title to mineral property interests</u>

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

<u>Valuation allowance for deferred income tax assets</u>

Each year, the Company evaluates the likelihood of whether some portion of deferred tax assets, if any, will not be realized. This evaluation is based on historic and future expected levels of taxable income, the timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, tax planning initiative, and deferred tax rates.

<u>ROU asset/lease liability discount rate</u>

The Company has applied judgment to determine the applicable discount rate for the ROU asset/lease liability. The discount rate is based on the Company's incremental borrowing rate and reflects the current market assessments of the time value of money and the associated risks for which the estimates of future cash flows have not been adjusted for.

<u>Going concern</u>

The assessment of the Company's ability to continue as a going concern involves judgement regarding future funding available for its exploration projects and working capital requirements.

4. Critical Accounting Judgments, Estimates and Assumptions (Cont'd)

Use of estimates

The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows. Significant estimates include the valuation of common share purchase warrants and stock options using the Black-Scholes pricing model, the valuation of the components of convertible debentures and the measurement of common shares issued for non-cash consideration and flow-through share premium liability.

5. 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. Over the course of 2020, Venex repaid the loan and accrued interest, leaving only accrued interest of $1,774 outstanding as of December 31, 2021 and 2020. During 2022, the outstanding accrued interest was received in full.

Included in the amounts receivable as of December 31, 2021 is HST receivable of $19,336 (2021 - $233,445).

6. 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 December 31, 2022 and 2021, there is no flow-through premium liability recorded.

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

7. 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.

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.

Expressed in Canadian dollars unless otherwise indicated

7. Convertible Debenture (Cont'd)

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.

8. Share Capital

Authorized

Unlimited number of common shares

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	---	(267,563)
Balance, December 31, 2022	**33,219,675**	**$ 7,373,988**

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.

8. Share Capital (Cont'd)

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.

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 of 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 $39,000 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.

<u>Warrants</u>

In connection with the January 19, 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 of 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%.

8. Share Capital (Cont'd)

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 of 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%.

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 $248,570 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 – 3.17%; expected volatility - 86%; 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 $14,038 value of these warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: share price - $0.19; risk free rate of return – 3.25%; expected volatility - 86%; 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 $4,955 value of these warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions: share price - $0.12; risk free rate of return – 3.56%; expected volatility - 94%; expected life - 3 years; expected dividend yield - 0%.

Expressed in Canadian dollars unless otherwise indicated

8. Share Capital (Cont'd)

At December 31, 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	0.05	January 19, 2023
200,000	60,354	$0.60	0.05	January 19, 2023
623,166	457,588	$1.00	0.28	April 14, 2023
214,993	166,081	$0.75	0.28	April 14, 2023
1,794,981	193,818	$0.45	0.93	December 7, 2023
248,497	31,654	$0.30	0.93	December 7, 2023
1,171,663	109,998	$0.45	0.96	December 15, 2023
2,950,000	248,570	$0.30	2.53	July 12, 2025
160,000	14,038	$0.30	2.53	July 14, 2025
100,000	4,955	$0.30	2.68	September 7, 2025
7,595,300	**$ 1,330,673**	**$0.44**	**1.51**	

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%.

The movement in the Company's share options for the years ended December 31, 2022 and 2021 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	2,775,000	$ 0.47
Balance, December 31, 2022	2,775,000	$ 0.47

Expressed in Canadian dollars unless otherwise indicated

8. Share Capital (Cont'd)

At December 31, 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	1.90	0.15	December 4, 2024
September 3, 2020	300,000	300,000	2.70	0.56	September 3, 2025
October 13, 2020	200,000	200,000	2.80	0.85	October 13, 2025
April 23, 2021	900,000	900,000	3.30	0.75	April 23, 2026
December 17, 2021	900,000	900,000	4.00	0.25	December 17, 2026
	2,775,000	2,775,000	3.18	0.47	

9. 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.

The Company is not subject to externally imposed capital requirements.

10. 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).

Expressed in Canadian dollars unless otherwise indicated

10. Financial Instruments and Risk Management (Cont'd)

- 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).

Categories of Financial Instruments	December 31, 2022	December 31, 2021
Financial Assets—amortized cost		
Cash	**$ 40,283**	$ 841,349
Marketable securities	**307,313**	752,848
Amounts receivable	**19,692**	236,501
Financial Liabilities—amortized cost		
Accounts payable and accrued liabilities	**$ 37,430**	$ 63,447
Lease liability	**82,343**	--

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.

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.

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 metal prices 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.

Expressed in Canadian dollars unless otherwise indicated

11. 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, 2022 and 2021:

	December 31, 2022	December 31, 2021
	($)	**($)**
Consulting – President and CEO	**90,000**	78,000
Consulting - CFO	**60,000**	66,000
Stock-based compensation – Directors	**---**	465,600
Consulting – Directors	**---**	24,000
	150,000	633,600

On March 31, 2021, the Company issued 10,256 common shares to the Company's President and CEO in connection to the conversion of the debentures.

As part of the December 2021 financing $48,000 in directors fees was settled by way of shares, with directors receiving a total of 160,000 common shares.

In the July 2022 financing, the Company's President and CEO purchased 50,000 units for $10,000.

During the year ended December 31, 2022, a company, in which a Graycliff director is a principal, received $42,000 for marketing and corporate services (year ended December 31, 2021 - $38,000).

12. 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 8).

Expressed in Canadian dollars unless otherwise indicated

13. Loss Per Share

The calculation of basic loss per share for the years ended December 31, 2022 and 2021 was based on total loss attributable to common shareholders of $2,264,853 (2021 - $4,813,467) and a weighted average number of common shares outstanding of 31,554,050 (2021 – 23,290,023).

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

14. 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 lease payments are discounted using an interest rate of 15%, which is the Company's incremental borrowing rate. The lease has an expiry date of June 30, 2027.

	2022
Lease liability, beginning of year	**$ ---**
Additions	88,678
Interest expense	7,526
Lease payments	(13,861)
Lease liability at end of year	**$ 82,343**
Allocated as:	
Current	12,058
Long term	70,285
Balance, end of year	**82,343**

Maturity analysis - contractual undiscounted cash flows	**As at December 31, 2022**
Due less than one year	$ 12,058
Due between one and two years	15,641
Due between two and three years	18,744
Due thereafter	35,870
Total undisclosed lease obligations	**$ 82,343**

Below summarizes the right of use asset as at December 31, 2022:

	2022
Net book value, beginning of year	**$ ---**
Additions	88,678
Amortization expense	(10,176)
Net book value at end of year	**$ 78,502**

Expressed in Canadian dollars unless otherwise indicated

15. Income Taxes

The Company's provision for income taxes differs from the amounts computed by applying the basic current rate of 27% for British Columbia to the loss for the year before taxes shown in the following table:

For the year ended December 31,	**2022**	**2021**
Loss before taxes	(2,264,853)	(4,813,467)
Expected income tax benefit based on statutory rates	(611,510)	(1,299,636)
Increase (decrease) to the income tax benefit resulting from:		
Share issue costs	-	(18,477)
Non-deductible share-based payment expense	-	203,991
Other permanent differences	(11,334)	822,059
Change in deferred tax asset not recognized	622,844	292,063
Income tax recovery	**---**	**---**

Deferred Income Taxes

	2022	**2021**
Non-capital losses carried forward	663,104	460,898
Exploration and evaluation expenditures	672,508	244,849
Share issuance costs and other	63,199	70,220
Deferred tax asset	1,398,811	775,967
Less: deferred tax asset not recognized	(1,398,811)	(775,967)
Deferred Tax asset	**---**	**---**

Certain deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

As at December 31, 2022, the Company has non-capital losses, expiring as follows:

2037	$ 6,775
2038	267,453
2039	129,582
2040	384,352
2041	918,868
2042	748,909
	$ 2,455,939

16. Subsequent Events

On March 2, 2023, the Company signed an asset purchase agreement to acquire the Lunge Project in the Sudbury Basin of Ontario. The newly acquired project comprises 27 claim units covering 601 hectares. Under the terms of the acquisition, Graycliff issued 2,000,000 common shares for the new claims.