

GRAYCLIFF EXPLORATION LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE
COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE YEAR ENDED December 31, 2022

The following Management Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Graycliff Exploration Limited ("Graycliff" or the "Company") for the year ended December 31, 2022. The MD&A should be read in conjunction with the audited financial statements for the year ended December 31, 2022. The MD&A has been prepared effective March 17, 2023.

SCOPE OF ANALYSIS

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

FORWARD LOOKING STATEMENTS

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

TRENDS

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

GENERAL BUSINESS AND DEVELOPMENT

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

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

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

PROPERTIES

Shakespeare Project

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

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

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

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

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

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

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

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

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

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

Baldwin Project

In May 2021, Graycliff purchased the Baldwin Project (“Baldwin”), which is also located in the Sudbury Mining Division of Ontario and is approximately 88 km west of Sudbury, Ontario. The Baldwin consists of

68 mineral claims covering roughly 1,500 hectares in two contiguous blocks. The property is adjacent to the east of the Shakespeare Project. Graycliff paid the vendor 1,800,000 common shares for a 100% interest in this new ground. The Vendor retained a 2% net smelter return (“NSR”) royalty, with a buy-back feature allowing Graycliff to reduce the NSR to 1% in return for a payment of \$1 million. Field work will be carried out in 2022.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2022 the Company had a cash balance of \$40,283 and marketable securities of \$307,313 (December 31, 2021 – cash balance of \$841,319 and marketable securities of \$752,848) and working capital of \$463,617 (December 31, 2021- \$2,113,412).

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.

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

SHARE CAPITAL AND OUTSTANDING SHARE DATA

Common Shares

Authorized – Unlimited Common shares without par value; and

Issued and Outstanding as at December 31, 2022: 33,219,675 (December 31, 2021: 30,003,801).

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.

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 ($\frac{1}{2}$) 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.

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.

RESULTS OF OPERATIONS

SELECTED QUARTERLY INFORMATION

During the year ended December 31, 2022, the Company incurred a net loss of \$2,264,853 (year ended December 31, 2021 – loss of \$4,813,467).

The Company began its exploration program in late 2020 but didn't begin with great vigor until 2021, incurring \$1,855,406 for the year ended December 31, 2021 compared to \$1,583,923 in the year ended December 31, 2022. Exploration activities are primarily dependent on the amount of cash available to achieve exploration goals.

With its shares trading on the Canadian Securities Exchange, the Company incurred promotion and shareholder communication expenses of \$407,236 for the year ended December 31, 2021, but decreased to \$247,738 for the year ended December 31, 2022 now that the "going public" marketing is behind us.

Management fees were \$229,500 for the year ended December 31, 2022 compared to \$210,000 for the year ended December 31, 2021, with operations at a more normative level.

The Company incurred professional fees of \$46,701 for the year ended December 31, 2022, compared to \$13,984 for the year ended December 31, 2021, with the increase resulting from a missed accrual in 2021.

The Company engaged with third parties to provide corporate advisory services, with \$60,000 in fees paid in 2021 (\$10,250 was paid for corporate advisory services in the year ended December 31, 2020).

Project acquisition costs are non-cash in nature, representing the value of shares issued to acquire mining projects.

Stock-based compensation is non-cash in nature, with the expense recognized when the options vest. The \$755,521 value of these options in the year ended December 31, 2021 was calculated using the Black-Scholes option pricing model.

SUMMARY OF FINANCIAL RESULTS FOR EIGHT MOST RECENTLY COMPLETED QUARTERS

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

	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022
	\$	\$	\$	\$
Expenses	197,244	215,508	1,047,723	812,116
Net loss	(194,523)	(213,800)	(1,046,007)	(810,523)
Loss per share - basic & diluted	(0.00)	(0.01)	(0.03)	(0.03)
	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021
	\$	\$	\$	\$
Expenses	1,485,149	788,004	2,004,607	587,135
Net loss	(1,483,333)	(774,273)	(1,999,718)	(556,143)
Loss per share - basic & diluted	(0.07)	(0.03)	(0.08)	(0.03)

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,	December 31,
	2022	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 common shares 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)

CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

Measurement Uncertainty

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

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

Taxes

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

Significant accounting judgments

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

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Fair values

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

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

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

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

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

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. The Company's cash is held with Canadian chartered banks.

Liquidity Risk

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

Market Risk

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

Interest rate risk

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

Commodity and equity risk

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

CAPITAL MANAGEMENT

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for all information contained in this report. The December 31, 2022 financial statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates.

RISKS AND UNCERTAINTIES

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

These forward-looking statements are made as of the date hereof and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise. Investors are cautioned that forward-looking statements are not

guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

OTHER INFORMATION

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