

GRAYCLIFF EXPLORATION LIMITED

Condensed Interim Financial Statements (Unaudited)

For the Three and Nine Months Ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

GRAYCLIFF EXPLORATION LIMITED
Condensed Interim Statements of Financial Position
(unaudited)
As at September 30, 2023 and December 31, 2022
Expressed in Canadian dollars

	September 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash	\$ 71,432	\$ 40,283
Marketable securities	---	307,313
Amounts receivable (Note 3)	12,564	19,692
Prepaid expenses	15,379	145,817
	99,375	513,105
Non-current assets		
Right-of-use asset (Note 9)	65,419	78,502
	\$ 164,794	\$ 591,607
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities	\$ 162,452	\$ 37,430
Lease liability (Note 9)	14,870	12,058
	177,322	49,488
Non-current liabilities		
Long-term lease liability (Note 9)	58,940	70,285
Total liabilities	235,520	119,773
Shareholders' equity (deficit)		
Share capital (Note 5)	7,493,988	7,373,988
Contributed surplus	1,758,541	1,030,901
Warrants (Note 5)	603,033	1,330,673
Deficit	(9,926,288)	(9,263,728)
	(70,726)	471,834
	\$ 164,794	\$ 591,607

Nature of Operations and Going Concern (Note 1)

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

On behalf of the Board,

"Signed"
David Lees
David Lees
Director

"Signed"
James Macintosh
James Macintosh
Director

GRAYCLIFF EXPLORATION LIMITED

Unaudited Condensed Interim Statements of Loss and Comprehensive Loss

(unaudited)

For the three and nine months ended September 30, 2023 and 2022

Expressed in Canadian dollars

	Three Months		Nine Months	
	2023	2022	2023	2022
Operating Expenses				
Exploration and evaluation	\$ 21,088	\$ 55,940	\$ 225,106	\$1,541,608
Project acquisition costs	---	---	120,000	---
Management fees (Note 7)	37,500	37,500	112,500	112,500
General and administrative costs	12,169	30,052	98,325	101,704
Promotion and shareholder communication	27,608	64,201	93,735	192,867
Amortization	4,362	5,815	13,084	5,815
Professional and consulting fees	---	---	5,335	25,853
Corporate advisory fees (Note 7)	---	20,000	---	95,000
Net loss and comprehensive loss before other items	(102,727)	(215,508)	(668,085)	(2,075,347)
Interest income (Note 3)	904	1,708	5,525	5,017
Net loss and comprehensive loss for the period	\$(101,823)	\$(213,800)	\$ (662,560)	\$ (2,070,330)
Basic and diluted loss per common share (Note 9)	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.07)
Weighted average number of shares outstanding during the period – basic and diluted	35,219,675	32,794,132	34,780,115	30,992,739

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

GRAYCLIFF EXPLORATION LIMITED

Unaudited Condensed Interim Statements of Changes in Shareholders' Deficit

(unaudited)

For the nine months ended September 30, 2023 and 2022

Expressed in Canadian dollars

	Shares Outstanding (##)	Share Capital (\$\$)	Warrants (\$\$)	Contributed Surplus (\$\$)	Deficit (\$\$)	Total (\$\$)
Balance at December 31, 2021	30,003,801	7,018,276	1,063,110	1,030,901	(6,998,875)	2,113,412
Issue of share capital - private placements (Note 6)	3,050,000	346,325	224,700	---	---	571,025
Issue of share capital – debt settlement (Note 6)	165,874	52,250	---	---	---	52,250
Net loss for the period	---	---	---	---	(2,070,330)	(2,070,330)
Balance at September 30, 2022	33,219,675	7,416,851	1,287,810	1,030,901	(9,069,205)	666,357
Balance at December 31, 2022	33,219,675	7,373,988	1,330,673	1,030,901	(9,263,728)	471,834
Issue of share capital - acquisition of mining claims (Notes 5 and 7)	2,000,000	120,000	---	---	---	120,000
Warrant expiry	---	---	(727,640)	727,640	---	---
Net loss for the period	---	---	---	---	(662,560)	(662,560)
Balance at September 30, 2023	35,219,675	7,493,988	603,033	1,758,541	(9,926,288)	(70,726)

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

GRAYCLIFF EXPLORATION LIMITED
Condensed Interim Statements of Cash Flows

(unaudited)

For the nine months ended September 30, 2023 and 2022

Expressed in Canadian dollars

	2023	2022
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	\$ (662,560)	\$ (2,070,330)
Common shares issued for mining claims	120,000	---
Amortization	13,084	---
Net change in non-cash working capital balances:		
Amounts receivable	7,128	215,393
Prepaid expenses	130,438	206,702
Accounts payable and accrued liabilities	125,022	44,401
Net cash flows used in operating activities	(266,888)	(1,603,834)
INVESTING ACTIVITIES		
Marketable securities	307,313	448,255
Net cash flows from investing activities	307,313	448,255
FINANCING ACTIVITIES		
Payment of lease principal	(9,276)	2,262
Issue of share capital – private placements, net of issuance costs	---	623,275
Stock option exercise	---	---
Net cash flows from financing activities	(9,276)	625,537
Net increase (decrease) in cash	31,149	(530,042)
Cash, beginning of the period	40,283	841,319
Cash, end of the period	\$ 71,432	\$ 311,277

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

GRAYCLIFF EXPLORATION LIMITED

Notes to the Condensed Interim Financial Statements (unaudited)

For the nine months ended September 30, 2023 and 2022

Expressed in Canadian dollars unless otherwise indicated

1. Nature of Operations and Going Concern

Graycliff Exploration Limited (formerly 1093683 B.C. Ltd.), a company incorporated under the laws of British Columbia, Canada (the “**Company**” or “**Graycliff**”) is engaged in the acquisition, exploration, development and extraction of natural resources, specifically precious metals.

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

Mineral exploration projects, even when successful, require large amounts of exploration investment to prove mineable reserves, generally over long periods of time, prior to commencement of production. The ability of the Company to continue as a going concern is dependent upon, among other things, being able to obtain additional financing, the continued support of its existing shareholders, and the outlining and development of commercial deposits of metals at its project to generate positive cash flows from operations. While the Company has been successful in securing financing and identifying suitable properties to date, there is no assurance that the Company will continue to be successful in achieving these objectives.

These unaudited condensed interim financial statements have been prepared based on accounting principles applicable to a going concern, which assumes the realization of assets and discharge of liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. It would, in this situation, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying Financial Statements. Such adjustments could be material.

As at September 30, 2023, the Company had a negative working capital balance of \$77,947 (December 31, 2022 – positive working capital of \$463,617) and an accumulated deficit of \$9,926,288 (December 31, 2022 - \$9,263,728). The Company’s ability to continue operations is dependent on management’s ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurances that it will be able to do so in the future. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern.

The ability of the Company to realize the costs it has incurred to date on its properties is dependent upon the Company being able to identify economically recoverable reserves, to finance their development costs and to resolve any environmental, regulatory, or other constraints, which may hinder the successful development of the reserves. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and development activities and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, and non-compliance with regulatory and environmental requirements.

The accompanying annual financial statements have been prepared using International Financial Reporting Standards applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. It would, in this situation, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying Financial Statements. Such adjustments could be material.

GRAYCLIFF EXPLORATION LIMITED

Notes to the Condensed Interim Financial Statements (unaudited)

For the nine months ended September 30, 2023 and 2022

Expressed in Canadian dollars unless otherwise indicated

2. Basis of Presentation

Statement of compliance

The Company applies International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim financial statements are based on IFRS issued and outstanding as of October 30, 2023, the date the Board of Directors approved the financial statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2022, except as noted below. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending December 31, 2022 could result in restatement of these unaudited condensed interim financial statements.

Basis of presentation

These unaudited condensed interim financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss (“FVTPL”). In addition, these unaudited interim condensed financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

These unaudited condensed interim financial statements are presented in Canadian Dollars, which is also the functional currency of the Company. All financial information is expressed in Canadian Dollars otherwise stated and has been rounded to the nearest dollar.

Recent Accounting Pronouncements

Amendments to IAS 12

On May 7, 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments narrow the scope of the initial recognition exemption (“IRE”) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The adoption of the new standard did not impact the financial statements of the Company.

Amendments to IAS 8

In February 2021, the IASB issued Definition of Accounting Estimates, which amended IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. The adoption of the new standard did not impact the financial statements of the Company.

Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements

On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies. The amendments help companies provide useful accounting policy disclosures. The adoption of the new standard did not impact the financial statements of the Company.

GRAYCLIFF EXPLORATION LIMITED

Notes to the Condensed Interim Financial Statements (unaudited)

For the nine months ended September 30, 2023 and 2022

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3. Amounts Receivable

On January 15, 2020, the Company advanced \$50,000 to Venex Capital (“Venex”), a Company controlled by one of Graycliff’s former directors, in the form of an unsecured demand loan bearing interest at 5% per annum. On February 13, 2020, the Company advanced a further \$25,000 to Venex in the form of an unsecured demand loan bearing interest at 5% per annum. 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 September 30, 2023 is HST receivable of \$7,558 (December 31, 2022 - \$21,189).

4. Flow-through Share Premium Liability

The flow-through common shares issued in a financing are often issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium is recorded as a liability and derecognized through income as the eligible expenditures are incurred.

As of September 30, 2023, the Company had met all of its flow-through expenditure obligations (as at September 30, 2022 – had no flow-through expenditure obligations).

5. Share Capital

Common Shares Authorized

Unlimited number of common shares with no par value

Common Shares Issued:

	Number of Shares	Amount
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
Acquisition of mining claims	2,000,000	120,000
Balance, September 30, 2023	35,219,675	\$ 7,493,988

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 issued 2,000,000 common shares for the purchase of new mining claims.

On October 11, 2023, Graycliff completed a consolidation of its issued and outstanding shares on the basis of one (1) post-consolidation common share for every two (2) pre-consolidation common shares, resulting in 17,609,841 post-consolidation shares outstanding.

GRAYCLIFF EXPLORATION LIMITED

Notes to the Condensed Interim Financial Statements (unaudited)

For the nine months ended September 30, 2023 and 2022

Expressed in Canadian dollars unless otherwise indicated

5. Share Capital (Cont'd)

Warrants

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%.

On January 19, 2023, 132,000 warrants with an exercise price of \$0.60 and 200,000 warrants with an exercise price of \$0.50 expired unexercised. On April 14, 2023, 623,166 warrants with an exercise price of \$1.00 and 214,993 warrants with an exercise price of \$0.75 expired unexercised.

At September 30, 2023, there were 6,425,141 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
1,794,981	193,818	\$0.45	0.19	December 7, 2023
248,497	31,654	\$0.30	0.19	December 7, 2023
1,171,663	109,998	\$0.45	0.21	December 15, 2023
2,950,000	248,570	\$0.30	1.78	July 12, 2025
160,000	14,038	\$0.30	1.78	July 14, 2025
100,000	4,955	\$0.30	1.94	September 7, 2025
6,425,141	\$ 684,023	\$0.37	0.99	

Stock Options

During the nine months ended September 30, 2023, there were no option grants, exercises or expirations. At September 30, 2023, 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	1.18	0.15	December 4, 2024
September 3, 2020	300,000	300,000	1.93	0.56	September 3, 2025
October 13, 2020	200,000	200,000	2.04	0.85	October 13, 2025
April 23, 2021	900,000	900,000	2.56	0.75	April 23, 2026
December 17, 2021	900,000	900,000	3.22	0.25	December 17, 2026
	2,775,000	2,775,000	2.43	0.47	

GRAYCLIFF EXPLORATION LIMITED

Notes to the Condensed Interim Financial Statements (unaudited)

For the nine months ended September 30, 2023 and 2022

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6. 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 fair value and approved by the Board of Directors in strict adherence to conflict-of-interest law and regulations.

The Company incurred the following charges with directors and/or officers of the Company and/or companies controlled by them for the three and nine-month periods ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Consulting – President and CEO	22,500	22,500	67,500	67,500
Consulting – CFO	15,000	15,000	45,000	45,000

At September 30, 2023, \$25,325 was due to the Company's President and CEO on account of unpaid fees. This amount is accrued and included in accounts payable.

During the three and nine months ended September 30, 2023, a company in which a Graycliff director is a principal, received \$3,500 and \$21,500, respectively, for marketing and corporate services (the three and nine months ended September 30, 2023 - \$NIL and \$10,500, respectively).

6. Mineral Property Interests

On August 23, 2019, the Company signed an option agreement to acquire 100% of the Shakespeare Gold Project ("Shakespeare") in Ontario, subject to a 2% net smelter return ("NSR") royalty. 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 Company also had to issue an additional 500,000 common shares prior to August 23, 2021 and incur \$100,000 by August 23, 2020 and an additional \$200,000 by August 23, 2021 on exploration expenditures. The Company owns the property outright, subject to the NSR.

On October 15, 2020, the Company announced the acquisition of 15 additional mining claims comprising approximately 330 hectares at Shakespeare. 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 at Shakespeare (see Note 6).

On March 2, 2023, the Company signed an asset purchase agreement to acquire the Lunge Project, subject to a 2% NSR, 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.

7. Loss Per Share

The calculation of basic loss per share for the three and nine months ended September 30, 2023 was based on total loss attributable to common shareholders of \$101,823 and \$662,560, respectively (2022 – loss of \$213,800 and \$2,070,330, respectively) and a weighted average number of common shares outstanding of 35,219,675 and 34,780,115, respectively (2022 – 30,992,740 and 32,794,132, respectively).

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

GRAYCLIFF EXPLORATION LIMITED

Notes to the Condensed Interim Financial Statements (unaudited)

For the nine months ended September 30, 2023 and 2022

Expressed in Canadian dollars unless otherwise indicated

9. Right of Use Asset and Lease Liability

On June 1, 2022, the Company entered into a lease agreement for office space in Ontario, Canada. The 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.

	2023	
Lease liability, beginning of period	\$	82,344
Additions		---
Interest expense		8,817
Lease payments		(18,093)
Lease liability at September 30, 2023		\$ 73,068
Allocated as:		
Current		14,128
Long term		58,940
Balance, September 30, 2023		\$ 73,068
Maturity analysis - contractual undiscounted cash flows	As at	Sep. 30, 2023
Due less than one year		\$ 14,870
Due between one and two years		17,991
Due between two and three years		21,448
Due thereafter		18,759
Total undisclosed lease obligations		\$ 73,068
Below summarizes the right of use asset	As at	Sep. 30, 2023
Net book value, beginning of year		\$ 78,502
Additions		---
Amortization expense		(13,083)
Net book value at September 30, 2023		\$ 65,419
		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	Dec. 31, 2022
Due less than one year		\$ 12,722
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	Dec. 31, 2022
Net book value, beginning of year		\$ ---
Additions		88,678
Amortization expense		(10,176)
Net book value at end of year		\$ 78,502

GRAYCLIFF EXPLORATION LIMITED

Notes to the Condensed Interim Financial Statements (unaudited)

For the nine months ended September 30, 2023 and 2022

Expressed in Canadian dollars unless otherwise indicated

10. Subsequent Events

On October 11, 2023, Graycliff completed a consolidation of its issued and outstanding shares on the basis of one (1) post-consolidation common share for every two (2) pre-consolidation common shares, resulting in 17,609,841 post-consolidation shares outstanding; 3,212,577 common share purchase warrants outstanding, with an average exercise price of \$0.74 and the expiry dates ranging from as December 7, 2023 to September 6, 2025; and 1,387,500 options, with an average exercise price of \$0.94 and the expiry dates ranging from as December 3, 2024 to December 17, 2026.