CYPRESS HILLS RESOURCE CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

INTRODUCTION

This management discussion and analysis ("MD&A") of financial position and results of operations of Cypress Hills Resource Corp. (the "Company") is prepared as at February 24, 2022 and should be read in conjunction with the Company's audited consolidated financial statements and related notes as at and for the years ended December 31, 2021 and 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

All information presented in this MD&A is expressed in Canadian dollars unless otherwise indicated. Additional information relating to the Company's activities can be found on SEDAR at www.sedar.com.

COMPANY OVERVIEW

Cypress Hills Resource Corp. (the "Company" or "Cypress") is a Tier 2 mining issuer on the TSX Venture Exchange ("TSXV") and holds an option to earn up to an undivided 80% in 267 quartz mining claims located in the Whitehorse Mining District, Yukon Territory. Previously, the Company held, through a wholly-owned subsidiary, minor working interests in oil and gas sites that had no significant revenues. On December 31, 2020, the Company sold the shares in the subsidiary and retains no direct or indirect interest in these sites.

Currently, there is no plan to consolidate the Company's share capital, but the Company has shareholder approval to consolidate its common shares on a basis of up to five pre-consolidation shares for one post-consolidation share.

On April 9, 2021, the Company continued into British Columbia from the Jurisdiction of Alberta and the address of the Company's principal operating office is #1703, 595 Burrard St., Vancouver, B.C.

COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic, which continues to spread globally. Having no commercial operations, the COVID-19 pandemic has not had a significant impact on the Company's routine operations or on the carrying value of its assets. However, the pandemic's effect on broader capital markets may hinder the Company's ability to enter new commercial operations or raise additional financing.

EXPLORATION AND EVALUATION ASSETS

On November 20, 2020, the Company entered into a property option agreement (the "Property Agreement") with Strategic Metals Ltd. ("Strategic") and Archer, Cathro & Associates (1981) Limited which allows the Company to earn an undivided 80% interest in and to 267 quartz mining claims located in the Whitehorse Mining District, Yukon Territory (the "Property"), 100% of which is currently held by Strategic. To exercise the option, the Company must make various cash payments to Strategic, totaling $155,000, issue 25,000 of its common shares to Strategic, and must incur aggregate exploration expenses of $2,600,000. The Property Agreement was amended on September 20, 2021 (the "September 2021 Amendment") to extend the due dates for the option payment and exploration requirements by one year.

During the year ended December 31, 2021 the Company fulfilled the first two option requirements comprising a $15,000 cash payment and issuance of 25,000 common shares with a fair value of $7,250. Additionally, the Company paid $10,000 for the extension to the option due dates pursuant to the September 2021 Amendment. In accordance with its accounting policy, the Company recorded an exploration and evaluation expense of $32,250 for the combined value of these payments.

As at December 31, 2021 and following the September 2021 Amendment, the remaining payments and exploration expenditures to exercise the option are as follows:

Requirement	Amount	Due Date
	$	
Cash payment	20,000	On or before January 5, 2023
Cash payment	30,000	On or before January 5, 2024
Cash payment	40,000	On or before January 5, 2025
Cash payment	50,000	On or before January 5, 2026
Total remaining cash payments	*140,000*	
Exploration expenditure	200,000	On or before December 31, 2022
Exploration expenditure	600,000	On or before November 20, 2023
Exploration expenditure	800,000	On or before November 20, 2024
Exploration expenditure	1,000,000	On or before November 20, 2025
Total remaining exploration expenditures	*2,600,000*	

FINANCIAL CONDITION AND CAPITAL RESOURCES

As at December 31, 2021, the Company had a working capital $206,007 compared with $305,096 as at December 31, 2020. The decrease in working capital is owing to expenditures and accruals for general and administrative expenses, such as audit and legal fees, transfer agent and exchange filing fees, and other accounting and office costs. Additionally, the Company made $25,000 in cash payments pursuant to the Property Agreement and September 2021 Amendment.

The Company has sufficient liquidity as at December 31, 2021 to maintain its existing operations over the next 12 months. However, it will require additional financing to maintain longer-term operations or for the minimum exploration requirements to exercise the option for the Property.

SELECTED ANNUAL FINANCIAL INFORMATION

As at December 31,	**2021**	2020	2019
	$	$	$
Current and total assets	**246,603**	358,163	8,017
Current liabilities	**40,596**	53,067	343,238
Total liabilities	**40,596**	53,067	380,119
Shareholders' equity (deficiency)	**206,007**	305,096	(372,102)

For the Year Ended December 31,	**2021**	2020	2019
	$	$	$
Operating and administrative expenses	**(72,314)**	(86,094)	(64,828)
Exploration and evaluation expenses	**(32,250)**	-	-
Gain on disposal of subsidiary	**-**	56,719	-
Gain on derecognition of accounts payable and accrued liabilities	**-**	22,868	-
Other	**(1,775)**	(2,269)	(5,927)
Net loss and comprehensive loss	**(106,339)**	(8,776)	(70,755)
Basic and diluted loss per share	**(0.01)**	(0.00)	(0.01)
Dividends per share	-	-	-

For the Year Ended December 31,	**2021**	2020	2019
	$	$	$
Cash Flows (Used in) From:			
Operating activities	**(109,163)**	(190,880)	(36,100)
Investing activities	**-**	(15,000)	-
Financing activities	**-**	555,721	30,000

General Trends

Prior to 2020, the Company held, through a wholly-owned subsidiary, working and royalty interests in oil and gas properties that had little or no production, and relied on shareholder loans to pay its operating expenses. In the year ended December 31, 2020, the Company took a number of steps to improve its financial position and to focus on new commercial activities:

1. It raised $685,974, net of share issuance costs, from a private placement of common shares . These proceeds were used partly to repay all shareholder loans and certain accounts payable and accrued liabilities.
2. It derecognized $22,868 in long-outstanding accounts payable and accrued liabilities for which the statutory period for collection had passed.
3. It sold the subsidiary that held the Company's former oil and gas working interests, and recognized a $56,719 gain on the disposal owing to the derecognition of net liabilities held by the subsidiary.
4. It entered into the Property Agreement to earn an undivided 80% interest in and to 267 quartz mining claims located in the Whitehorse Mining District, Yukon Territory.

Following these items, the Company's results reflect costs incurred to earn into the mining claims (see "Exploration and Evaluation Assets", herein), including $32,250 in the year ended December 31, 2021, and a minimal level of general and administrative expenses for corporate administration and fees for transfer agency, TSXV, legal and accounting services incurred as a public company.

SUMMARY OF QUARTERLY RESULTS

Quarterly Financial Information:	Exploration and Evaluation Expenses	Operating and Administrative Expenses	Net (Loss) Income	Basic & Diluted (Loss) Income per Share
	$	$	$	$
Q4 – December 31, 2021	-	25,643	(27,418)	(0.00)
Q3 – September 30, 2021	10,000	9,101	(19,101)	(0.00)
Q2 – June 30, 2021	-	20,327	(20,327)	(0.00)
Q1 – March 31, 2021	22,250	17,243	(39,493)	(0.00)
Q4 – December 31, 2020	-	47,629	31,966	0.00
Q3 – September 30, 2020	-	14,004	(14,000)	(0.00)
Q2 – June 30, 2020	-	16,458	(16,455)	(0.00)
Q1 – March 31, 2020	-	10,298	(10,287)	(0.00)

Operating and administrative expenses include charges for audit and legal fees, stock exchange listing and filings, transfer agent services and management services. These expenses are typically incurred evenly throughout the year except for audit costs, which are recorded in the fourth quarter and fees incurred in connection with the Company's annual general meeting, which are typically incurred in the second or third quarters.

In the quarter ended December 31, 2020, the Company incurred additional legal expenses in connection with the sale of a subsidiary and for changes in the Company's share listing. The Company's net income for the quarter ended December 31, 2020 also reflected one-time gains from the disposal of a subsidiary and the derecognition of certain long-outstanding accounts payable and accrued liabilities.

Exploration and evaluation expenses are for cash and share payments made to maintain the option on the Property

FOURTH QUARTER 2021 RESULTS

The Company reported a net loss of $27,418 for the three months ended December 31, 2021 compared with net income of $31,966 for the comparable period in 2020. The net income for the three months ended December 31, 2020 was the result of a $56,719 gain on the disposal of a subsidiary and a $22,868 gain on the derecognition of certain accounts payable and accrued liabilities in the period. These gains are considered one-time events and are not indicative of future results.

Operating and administrative expenses were $25,643 for the three months ended December 31, 2021 compared to $47,629 in 2020. The amount for 2021 includes an accrual for the Company's annual audit but is otherwise consistent with prior quarters. The higher amount in 2020 is owing to legal fees related to the disposal of a subsidiary, the Property Agreement and to qualify the Company as a Tier 2 mining issuer.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Company is party to a corporate service agreement with Earlston Management Corp. ("Earlston"), a company related by virtue of providing management services to the Company and having certain officers and directors in common. During the year ended December 31, 2021, Earlston charged $30,001 (2020 - $17,602) for corporate, accounting and administrative services and as at December 31, 2021, $5,252 (December 31, 2020 - $3,680) was owing to Earlston and is included in accounts payable and accrued liabilities.

During the year ended December 31, 2020, the Company repaid $170,253 in shareholder loans and related interest owing to Brian Bayley and Ted Fostey, two directors of the Company. Prior to repayment of these loans, the Company received $40,000 and accrued $2,183 in interest in the year ended December 31, 2020. There were no loan payments, receipts or related interest expenses during the year ended December 31, 2021.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at the date of the MD&A, there are 19,961,965 common shares outstanding. The Company has no stock options, warrants or other instruments convertible into common shares at this date.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2021, the Company's financial instruments comprise cash, accounts receivable and accounts payable and accrued liabilities. The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at December 31, 2021, the fair value of cash held by the Company was based on level 1 inputs of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. As at December 31, 2021, the Company had a cash balance of $246,158 which is sufficient to pay current liabilities of $40,596, as well as option payments and expenditures for the Property and on-going working capital requirements for the next 12 months. However, additional capital will be required in the longer term.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. As the Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash, assets or liabilities denominated in a foreign currency, and marketable securities or other financial instruments subject to fluctuations in equity prices, it currently does not have and is not expected to have exposure to these market risks.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the measurements of assets, liabilities, revenues, expenses and certain disclosures reported in these financial statements. The Company's significant accounting policies and estimates are included in Note 3 of its audited consolidated financial statements for the period ended December 31, 2021.

Significant estimates made by management as at December 31, 2021 includes the following:

Taxation

Estimates

Deferred tax assets and liabilities are determined using the tax rates expected to be in effect at the time the assets are realized and liabilities settled. The actual tax rate in effect at that time may vary from the expected tax rates.

Judgments

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters. However, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recovered.

RISKS AND UNCERTAINTIES

The Company's option to earn into the Property (see "Exploration and Evaluation Assets", herein) is exercised by making a series of option payments and by incurring certain amounts of exploration expenses. Whether or not the Company maintains this option depends on its ability to raise additional financing to meet the exercise requirements and its assessment of the economic potential for the Property. While the Company has been able to raise funds in the past, there is no assurance it will be able to do so in the future.

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A, and other reports and filings made with the securities regulatory authorities constitute forward-looking statements.

All forward-looking statements are based on the Company's beliefs and assumptions, which are based on information available at the time the assumptions were made. Forward-looking statements relate to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments, new services, market forces, commitments and technological developments. In particular, this MD&A contains forward-looking statements pertaining to: the Company's intention to exercise its option to earn into the Property; it's ability to identify and enter into other commercial activities should it not exercise its rights to earn into the Property; and its ability to raise the additional financing required to exercise the Property option and remain a going concern. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors, which include, but are not limited to the following and others that may be set forth elsewhere in this MD&A: the geological and economic potential of the Property; and the functioning of capital markets that would allow the Company to raise additional financing as required.

The forward-looking statements contained herein are are subject to change after the date of the MD&A. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on the forward-looking statements.