CYPRESS HILLS RESOURCE CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 April 21, 2021 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, 2020 and 2019, 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 (see "Exploration and Evaluation Assets", herein). 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 (see "Disposal of Subsidiary", herein).

To facilitate the change in operations from oil and gas to mineral exploration, the Company completed a private placement of its common shares for total gross proceeds of $700,000 on August 11, 2020 (see "Private Placement", herein). The gross proceeds from the private placement were used to repay shareholder loans and other outstanding accounts payable and accrued liabilities and will be used to fund future working capital requirements including payments and expenditures required pursuant to the quartz mining option, although additional financing is required to make all future option payments.

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.

The address of the Company's principal operating office is #1703, 595 Burrard St., Vancouver, B.C.

PRIVATE PLACEMENT

On August 11, 2020, the Company issued 10,000,000 common shares by way of a non-brokered private placement (the "Private Placement") at a price of $0.07 per share for gross proceeds of $700,000. The company incurred share issuance costs of $14,026 for legal services provided in connection with this placement. Proceeds from the private placement were used partly to repay shareholder loans and pay certain accounts payable and accrued liabililities, and the remaining proceeds will be used towards option payments and exploration and evaluation expenses for mineral claims and for general working capital.

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. In February 2021, the Company made the first two option requirements including a $15,000 cash payment and issuance of 25,000 common shares to Strategic. Following these items, the remaining payments and exploration expenditures to exercise the option, none of which have been fulfilled, are as follows:

Requirement	Amount	Due Date
	$	
Cash payment	20,000	On or before January 5, 2022
Cash payment	30,000	On or before January 5, 2023
Cash payment	40,000	On or before January 5, 2024
Cash payment	50,000	On or before January 5, 2025
Total remaining cash payments	*140,000*	
Exploration expenditure	200,000	On or before December 31, 2021
Exploration expenditure	600,000	On or before November 20, 2022
Exploration expenditure	800,000	On or before November 20, 2023
Exploration expenditure	1,000,000	On or before November 20, 2024
Total remaining exploration expenditures	*2,600,000*	

DISPOSAL OF SUBSIDIARY

On December 31, 2020, the Company sold its entire holdings in Cypress Hills Holdings Corp. ("CHHC"), a wholly-owned subsidiary, for $1. Immediately prior to disposal, CHHC held net liabilities of $56,718, resulting in a $56,719 gain on disposal of subsidiary. The assets and liabilities disposed by way of the sale of CHHC and which were derecognized in the Company's consolidated financial statements were as follows:

	Carrying Value
	$
Cash	15,001
Accounts receivable	656
Accounts payable and accrued liabilities	(35,494)
Decommissioning liabilities	(36,881)
Net liabilities	(56,718)

SELECTED ANNUAL FINANCIAL INFORMATION

As at December 31,	**2020**	2019	2018
	$	$	$
Current and total assets	**358,163**	8,017	13,942
Current liabilities	**53,067**	343,238	277,913
Total liabilities	**53,067**	380,119	315,289
Shareholders' equity (deficiency)	**305,096**	(372,102)	(301,347)

For the Year Ended December 31,	**2020**	2019	2018
	$	$	$
Operating and administrative expenses	**(86,094)**	(64,828)	(70,456)
Gain on disposal of subsidiary	**56,719**	-	-
Gain on derecognition of accounts payable and accrued liabilities	**22,868**	-	-
Operating expenses and royalties	**(2,295)**	(3,681)	(4,745)
Oil and gas sales	**26**	319	7,960
Revaluation of decommissioning liabilities	**-**	(3,060)	(28,748)
Gain on disposal of assets and decommissioning liabilities	**-**	495	-
Net loss and comprehensive loss	**(8,776)**	(70,755)	(95,989)
Basic and diluted loss per share	**(0.00)**	(0.01)	(0.01)
Dividends per share	-	-	-

For the Year Ended December 31,	**2020**	2019	2018
	$	$	$
Cash Flows (Used in) From:			
Operating activities	**(190,880)**	**(36,100)**	(42,451)
Investing activities	**(15,000)**	**-**	-
Financing activities	**555,721**	**30,000**	53,500

General Trends

Prior to 2020, the Company held, through CHHC, minor working interests in oil and gas sites that did not generate significant operating revenues. As a result the Company has relied on funding from shareholder loans which included $30,000 and $53,500 the years ended December 31, 2019 and 2018, respectively, to fund expenses incurred as a public company such as audit and legal fees, NEX listing and filing fees, and transfer agent fees. An additional $40,000 in shareholder loans was received in March 2020.

To preserve its cash, the Company withheld payments for accounting and corporate services provided by a related party which were accrued in accounts payable and accrued liabilities. As a result of the growing balances for shareholder loans and accounts payable and accrued liabilities, there has was an increase in current and total liabilities between December 31, 2018 and December 31, 2019.

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 the Private Placement. 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 disposed CHHC which held the Company's former oil and gas working interests, and recognized a $56,719 gain on the disposal. The gain was owing to the derecognition of net liabilities held by CHHC comprising $36,881 in decommissioning liabilities and $35,494 in accounts payable and accrued liabilities, partly offset by $15,000 in cash and $656 in accounts receivable.
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, it is expected that the Company's future results will reflect costs incurred to earn into the mining claims (see "Exploration and Evaluation Assets", herein) and a minimal level of general and administrative expenses as a publicly-traded company.

2020 Compared with 2019

The Company's net loss for the year ended December 31, 2020 was $8,776, a decrease from $70,755 for 2019. The decrease was the result of a $56,719 gain on the disposal of CHHC and a $22,868 gain on the derecognition of liabilities in 2020 for which no equivalents were recognized in 2019. Offsetting these gains were nominal expenses related to CHHC's oil and gas interest prior to its disposal and $86,094 in general and administrative expenses. General and administrative expenses comprise charges for legal and audit services, corporate and administrative services, interest on shareholder loans and other services incurred as a public company. These cost were generally consistent between the years ended December 31, 2020 and 2019, although additional legal fees were incurred in 2020 for general restructuring planning, the Property Agreement and to qualify the Company as a Tier 2 mining issuer on the TSX-V.

2019 Compared with 2018

The Company reported a loss of $70,755 for the year ended December 31, 2019, compared with a $95,989 loss for 2018. The higher loss in 2018 was primarily attributed to a $28,748 expense for wellsite decommissioning in 2018 compared with an equivalent charge of $3,060 in 2019. Partially offsetting this expense decrease in 2019 was a $7,641 decrease in oil and gas sales revenues owing to a reduction in production as wellsites become decommissioned. Other expenses in the year ended December 31, 2019 were comparabale with those in 2018 and included charges for recurring audit, legal, accounting, corporate and other services incurred as a public company.

FINANCIAL CONDITION AND CAPITAL RESOURCES

As at December 31, 2019, the Company had a working capital deficit of $335,221, compared with a working capital deficit of $263,971 at December 31, 2018. The increase in working capital deficit in 2019 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 which have been funded by shareholder loans or which have not been paid and are included in accounts payable and accrued liabilities.

The Company does not have sufficient liquidity as at December 31, 2019 to maintain its existing operations over the next 12 months. Subsequent to December 31, 2019, the Company raised an additional $40,000 from loans made by certain shareholders, but the Company will require further funding to pay existing liabilities, maintain its status as a public entity, and to pursue new commercial activities. 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.

SUMMARY OF QUARTERLY RESULTS

Quarterly Financial Information:	Revenue	Operating and Administrative Expenses	Net Income (Loss)	Basic & Diluted Income (Loss) per Share
	$	$	$	$
Q4 – December 31, 2020	8	47,629	31,966	0.00
Q3 – September 30, 2020	4	14,004	(14,000)	(0.00)
Q2 – June 30, 2020	3	16,458	(16,455)	(0.00)
Q1 – March 31, 2020	11	10,298	(10,287)	(0.00)
Q4 – December 31, 2019	136	27,650	(27,019)	(0.00)
Q3 – September 30, 2019	50	18,081	(18,031)	(0.00)
Q2 – June 30, 2019	63	10,699	(10,636)	(0.00)
Q1 – March 31, 2019	70	15,139	(15,069)	(0.00)

Prior to their disposal by way of the sale of CHHC, the Company’s few wellsite interests produced nominal quarterly oil and gas revenues which were are consistent from period to period.

Operating and administrative expenses include charges for audit and legal fees, stock exchange listing and filings, transfer agent services and management services, as well as direct oil and gas operating costs and royalties. 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 CHHC and for changes in the Company’s share listing.

In addition to oil and gas revenues and operating and administrative expenses, the Company's net income for the quarter ended December 31, 2020 reflected one-time gains from the disposal of CHHC and the derecognition of certain long-outstanding accounts payable and accrued liabilities.

FOURTH QUARTER 2020 RESULTS

The Company reported a net loss of $31,966 for the three months ended December 31, 2020 compared with a net loss of $27,019 for the comparable period in 2019. The net income for the three months ended December 31, 2020 was the result of a $56,719 gain on the disposal of CHHC 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.

Partly offsetting these gains was $47,629 in operating and administrative expenses for the three months ended December 31, 2020 compared with $27,650 in 2019. The increase in 2020 is owing to legal fees related to the Property Agreement and to qualify the Company as a Tier 2 mining issuer. Other expenses were incurred for typical office and public company listing charges and were consistent with those for prior quarters.

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. Effective August 1, 2020 Earlston charges a monthly fee of $2,500 (previously $1,500) for corporate, accounting and administrative services. For the year ended December 31, 2020, the expense for corporate and administrative services includes $17,602 (2019 - $18,000) of such costs, and as at December 31, 2020, $3,680 (December 31, 2019 - $80,134) was owing to Earlston and is included in accounts payable and accrued liabilities.

As at December 31, 2019, the Company had $nil (December 31, 2019 - $128,070) in loans payable to Ted Fostey and Brian Bayley, two directors of the Company. The loans were repaid in full in the year ended December 31, 2020 following an accrual of $2,183 in interest for the year (2019 – $2,341).

Accounts payable as at December 31, 2020 includes $nil (December 31, 2019 - $4,378) owing to Mr. Fostey for general and administrative expenses paid by him on behalf of the Company.

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, 2020. In periods prior to December 31, 2020, the Company was required to make estimates and assumptions related to the carrying values of its oil and gas working interests and related decommissioning liabilities, but following the disposal of CHHC in the year ended December 31, 2020, the significant estimates made by management as at December 31, 2020 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.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2020, 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, 2020, 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, 2020, the Company had a cash balance of $355,321 is sufficient to pay current liabilities of $53,067, 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.

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.

CHANGE IN OFFICERS AND DIRECTORS

On November 20, 2020, Richard Graham was a appointed to the Company's Board of Directors and as Chief Executive Officer to replace Ted J. Fostey, who remains on the Board.

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: expectations for the timing and costs associated with the Company's decommissioning liabilities; its operating intentions for its existing oil and gas interests and its intention to acquire new commercial assets or activities; and its liquidity and ability to raise the additional financing required to 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: errors in estimating the timing, value or scope of decommissioning activities; the Company's financial and operational ability to identify, acquire and profitably operate commercial assets or activities; and the functioning of capital markets and the Company's ability to raise additional financing.

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.