CYPRESS HILLS RESOURCE CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

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 21, 2023 and should be read in conjunction with the Company's audited financial statements and related notes as at and for the years ended December 31, 2022 and 2021, 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"). In October 2022, the Company staked 20 mineral cells totaling 418 hectares of an exploration-stage graphite property in British Columbia (the "Amar Property").

On April 9, 2021, the Company continued into British Columbia from the Jurisdiction of Alberta and the address of the Company's registered office is 12 Waterfront Centre, 200 Burrard St., Vancouver, BC V6C 3L6.

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

Amar Property

In October 2022, the Company staked 20 mineral cells covering 418 hectares known as the Amar Property, an exploration-stage graphite property in British Columbia. In the year ended December 31, 2022, The Company recognized $1,638 in exploration and evaluation expense to stake the Amar Property.

Saloon Property

In November 2020, the Company entered into a property option agreement with Strategic Metals Ltd. ("Strategic") and Archer, Cathro & Associates (1981) Limited that allowed the Company to earn an undivided 80% interest in and to 267 quartz mining claims located in the Whitehorse Mining District, Yukon Territory (the "Saloon Property"). To exercise the option, the Company was required to make various cash and share payments to Strategic and to incur aggregate exploration expenses of $2,600,000 over five years. The property option agreement was amended in September 2021 to extend the due dates for the option payments and exploration requirements by one year.

During the year ended December 31, 2021, the Company recognized $32,250 for exploration expenses related to the Saloon Property. This amount included option payments comprising a $15,000 cash payment and the issuance of 25,000 common shares with a fair value of $7,250 in addition to a $10,000 cash payment for the September 2021 extension.

No option payments or exploration expenses were incurred in the year ended December 31, 2022 and on November 23, 2022, the Company notified Strategic that it was forfeiting all option rights to the Saloon Property. There were no fees or penalties required on forfeiture and the Company no further payments will be made by the Company for the Saloon Property.

FINANCIAL CONDITION AND CAPITAL RESOURCES

As at December 31, 2022, the Company had a working capital $132,453 compared with $206,007 as at December 31, 2021. The decrease in working capital is owing to expenditures and accruals for corporate and administrative services, audit and legal fees, transfer agent and exchange filing fees, sundry office costs and expenses to stake the Amar Property.

As at December 31, 2022, the Company has sufficient liquidity to maintain its existing operations over the next 12 months. However, it will require additional financing to maintain longer-term operations.

SELECTED ANNUAL FINANCIAL INFORMATION

As at December 31,	**2022**	2021	2020
	$	$	$
Current and total assets	**174,030**	246,603	358,163
Current liabilities	**41,577**	40,596	53,067
Total liabilities	**41,577**	40,596	53,067
Shareholders' equity (deficiency)	**132,453**	206,007	305,096

For the Year Ended December 31,	**2022**	2021	2020
	$	$	$
Operating and administrative expenses	**(71,916)**	(72,314)	(86,094)
Exploration and evaluation expenses	**(1,638)**	(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)
Net loss and comprehensive loss	**(73,554)**	(106,339)	(8,776)
Basic and diluted loss per share	**(0.00)**	(0.01)	(0.00)
Dividends per share	-	-	-

For the Year Ended December 31,	**2022**	2021	2020
	$	$	$
Cash Flows (Used in) From:			
Operating activities	**(72,843)**	**(109,163)**	(190,880)
Investing activities	**-**	**-**	(15,000)
Financing activities	**-**	**-**	555,721

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.

Following these steps, the Company’s results for the years ended December 31, 2021 and 2022 reflect 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. Additionally, the Company incurred $32,250 related to the Whitehorse property in the year ended December 31, 2021 and $1,638 for the Amar Property in the year ended December 31, 2022 (see “Exploration and Evaluation Assets”, herein).

SUMMARY OF QUARTERLY RESULTS

Quarterly Financial Information:	Exploration and Evaluation Expenses	Operating and Administrative Expenses	Net Loss	Basic & Diluted Loss per Share
	$	$	$	$
Q4 – December 31, 2022	1,638	26,856	(28,494)	(0.00)
Q3 – September 30, 2022	-	11,201	(11,201)	(0.00)
Q2 – June 30, 2022	-	13,510	(13,510)	(0.00)
Q1 – March 31, 2022	-	20,349	(20,349)	(0.00)
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)

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.

Exploration and evaluation expenses for the quarter ended December 31, 2022 were to stake the Amar Property claims. Those recognized for the quarters ended March 31, 2021 and September 30, 2021 were for option and agreement amendment fees for the Saloon Property which was subsequently forfeited without additional payments.

FOURTH QUARTER 2022 RESULTS

The Company reported a net loss of $28,494 for the three months ended December 31, 2022 compared with a net loss of $27,418 for the three months ended December 31, 2021. The losses in both periods were a result of comparable accruals for the Company's annual audit fees. Additionally, the Company recognized expenses for corporate and administrative services and transfer agent, listing, filing and shareholder communication fees at rates similar to other quarters in the year.

The Company also recognized a $1,638 exploration and evaluation expense in the three months ended December 31, 2022 to stake the Amar Property.

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, 2022, Earlston charged $30,002 (2021 - $30,001) for corporate, accounting and administrative services and as at December 31, 2022, $5,250 (December 31, 2021 - $5,252) was owing to Earlston and is included in accounts payable and accrued liabilities.

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, 2022, the Company's financial instruments comprise cash, amounts receivable and accounts payable and accrued liabilities. The fair values of amounts 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, 2022, 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, 2022, the Company had a cash balance of $173,315 which is sufficient to pay current liabilities of $41,577, as well as on-going operating requirements for the next 12 months. However, additional capital will be required to explore the current Property option and for longer-term operations.

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 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 financial statements for the year ended December 31, 2022.

Significant estimates made by management as at December 31, 2022 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.

Asset retirement obligations

Estimates

Asset retirement obligations are determined using estimates for the cost and timing of environmental reclamation and for the discount rate applicable to the Company. The eventual cost of an asset retirement obligation may differ from the carrying amount based on these estimates.

Judgments

The Company's management exercises judgment to determine whether an asset retirement obligation exists based on the extent of environmental disturbance, its interpretation of environmental regulations and any social obligations to the communities in which it operates. These judgments may change based on the actual requirements of regulatory bodies and other community groups.

RISKS AND UNCERTAINTIES

The Company has sufficient cash to maintain operations for the next 12 months, but with no current sources of revenue, additional financing will be required in the longer-term. While the Company has been successful in previous financings, there is no assurance that future financing attempts will be successful. Additionally, it is not expected that the Company will generate any positive cash flows from the Amar Property in this time frame because the Amar Property is an early-stage exploration site and any future economic mineral production is uncertain owing to geotechnical, metallurgical and economic risks.

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 pursue the Amar Property; it's ability to identify and enter into other commercial activities should it not pursue the Amar Property; to remain a going concern for the next 12 months; and its ability to raise additional financing in the longer-term. 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 Amar 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.