

**CYPRESS DEVELOPMENT CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited - Expressed in Canadian Dollars)**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended September 30, 2019.

**CYPRESS DEVELOPMENT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited - Expressed in Canadian Dollars)  
AS AT

	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 969,861	\$ 1,625,701
Marketable securities (Note 4)	18,000	34,000
Receivables and prepaid expenses (Note 5)	119,218	196,929
Due from related party (Note 10)	<u>-</u>	<u>6,515</u>
	1,107,079	1,863,145
<b>Property and equipment</b> (Note 6)	1,655	1,655
<b>Reclamation bonds</b> (Note 7)	41,774	41,774
<b>Exploration and evaluation assets</b> (Note 7)	<u>3,623,059</u>	<u>2,166,201</u>
	<u>\$ 4,773,567</u>	<u>\$ 4,072,775</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 119,891	\$ 154,320
Due to related party (Note 10)	<u>3,499</u>	<u>-</u>
	<u>123,390</u>	<u>154,320</u>
<b>Equity</b>		
Capital stock (Note 8)	33,788,890	32,000,041
Reserves (Note 9)	4,652,469	4,515,816
Deficit	<u>(33,791,182)</u>	<u>(32,597,402)</u>
	<u>4,650,177</u>	<u>3,918,455</u>
	<u>\$ 4,773,567</u>	<u>\$ 4,072,775</u>

**Nature and continuance of operations** (Note 1)

**Subsequent event** (Note 15)

Approved and authorized by the Board on November 28, 2019

<u>"Don Huston"</u> Don Huston	Director	<u>"Jim Pettit"</u> Jim Pettit	Director
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The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**CYPRESS DEVELOPMENT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
(Unaudited - Expressed in Canadian Dollars)  
PERIODS ENDED

	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	3 months	3 months	9 months	9 months
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Accounting and audit	\$ 13,703	\$ 10,203	\$ 44,864	\$ 16,189
Administrative	9,850	12,039	32,161	30,309
Consulting fees	180,379	116,562	411,532	375,150
Legal	25,680	18,190	45,213	85,359
Office and miscellaneous	9,341	17,659	46,841	69,827
Rent	12,048	9,355	30,501	26,216
Share-based compensation	240,871	-	240,871	-
Shareholder communications	75,405	107,225	263,605	402,645
Telephone	1,178	976	3,235	3,279
Transfer agent and filing fees	11,412	8,592	20,035	36,076
Travel	19,695	2,434	38,448	33,353
	(599,562)	(303,235)	(1,177,306)	(1,078,403)
Interest income	514	1,323	5,526	4,255
Unrealized loss on marketable securities (Note 4)	(8,000)	(4,000)	(22,000)	(22,000)
<b>Loss and comprehensive loss for the period</b>	<b>\$ (607,048)</b>	<b>\$ (305,912)</b>	<b>\$ (1,193,780)</b>	<b>\$ (1,096,148)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.008)</b>	<b>\$ (0.005)</b>	<b>\$ (0.016)</b>	<b>\$ (0.019)</b>
<b>Weighted average number of common shares outstanding</b>	<b>75,294,135</b>	<b>58,694,049</b>	<b>75,294,135</b>	<b>58,694,049</b>

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

**CYPRESS DEVELOPMENT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited - Expressed in Canadian Dollars)  
PERIODS ENDED SEPTEMBER 30

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,193,780)	\$ (1,096,148)
Items not affecting cash:		
Share-based compensation	240,871	-
Unrealized loss on marketable securities	22,000	22,000
Shares issued for services	24,304	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables and prepaid expenses	77,711	170,162
(Increase) decrease in due from related party	6,515	29,002
Increase (decrease) in accounts payable and accrued liabilities	(100,846)	(98,485)
Increase (decrease) in due to related party	<u>3,499</u>	<u>-</u>
Net cash flows used in operating activities	<u>(919,726)</u>	<u>(973,469)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Option payments received	6,000	129,747
Expenditures on exploration and evaluation assets	<u>(1,313,691)</u>	<u>(878,229)</u>
Net cash flows used in investing activities	<u>(1,307,691)</u>	<u>(748,482)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of capital stock	1,602,880	985,863
Share issuance costs	(31,303)	-
Subscriptions received in advance	<u>-</u>	<u>(12,500)</u>
Net cash flows provided by financing activities	<u>1,571,577</u>	<u>973,363</u>
<b>Change in cash during the period</b>	<b>(655,840)</b>	<b>(748,588)</b>
<b>Cash, beginning of period</b>	<b><u>1,625,701</u></b>	<b><u>1,153,926</u></b>
<b>Cash, end of period</b>	<b>\$ 969,861</b>	<b>\$ 405,338</b>

**Supplemental disclosures with respect to cash flows (Note 11)**

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

**CYPRESS DEVELOPMENT CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited - Expressed in Canadian Dollars)

	<u>Capital Stock</u>			Subscriptions received in advance	Deficit	Total
	Number	Amount	Reserves			
Balance, as at December 31, 2018	72,073,228	\$ 32,000,041	\$ 4,515,816	\$ -	\$ (32,597,402)	\$ 3,918,455
Private placement	6,114,888	1,100,680	-	-	-	1,100,680
Options exercised	585,000	46,800	-	-	-	46,800
Options exercised	-	104,218	(104,218)	-	-	-
Warrants exercised	3,505,000	455,400	-	-	-	455,400
Share issue costs	-	(31,303)	-	-	-	(31,303)
Shares for services	160,315	24,304	-	-	-	24,304
Share-based compensation	-	-	240,871	-	-	240,871
Exploration and evaluation assets	550,000	88,750	-	-	-	88,750
Loss for the period	-	-	-	-	(1,193,780)	(1,193,780)
<b>Balance, as at September 30, 2019</b>	<b>82,988,431</b>	<b>\$ 33,788,890</b>	<b>\$ 4,652,469</b>	<b>\$ -</b>	<b>\$ (33,791,182)</b>	<b>\$ 4,650,177</b>
Balance, as at December 31, 2017	54,523,070	\$ 28,766,719	\$4,100,921	\$ 12,500	\$ (30,507,771)	\$ 2,372,369
Options exercised	520,000	65,000	-	-	-	65,000
Options exercised	-	71,390	(71,390)	-	-	-
Warrants exercised	6,824,333	897,190	-	-	-	897,190
Shares for debt	94,694	23,674	-	-	-	23,674
Subscriptions received in advance	-	-	-	(12,500)	-	(12,500)
Exploration and evaluation assets	500,000	171,250	-	-	-	171,250
Loss for the period	-	-	-	-	(1,096,148)	(1,096,148)
<b>Balance, as at September 30, 2018</b>	<b>62,462,097</b>	<b>\$ 29,995,223</b>	<b>\$4,029,531</b>	<b>\$ -</b>	<b>\$ (31,603,919)</b>	<b>\$ 2,420,835</b>

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

**CYPRESS DEVELOPMENT CORP.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Cypress Development Corp. is a publicly listed exploration company incorporated pursuant to the *Business Corporations Act* (Saskatchewan) on August 23, 1991. The Company together with its subsidiary (collectively referred to as the “Company”) is principally engaged in the acquisition, exploration and evaluation of resource properties.

The head office of the Company is located at Suite #1610 - 777 Dunsmuir Street, Vancouver, British Columbia, Canada. The registered and records offices are located at Suite #1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada.

The Company’s financial statements (“consolidated financial statements”) are presented in Canadian dollars.

The Company has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. An inability to raise additional financing may materially impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company’s ability to receive financial support, necessary financings, or generate profitable operations in the future.

**2. BASIS OF PREPARATION**

**Statement of Compliance with International Financial Reporting Standards**

These unaudited condensed consolidated interim financial statements, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB (“International Accounting Standards Board”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, ‘Interim Financial Reporting’. The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company’s annual financial statements for the year ended December 31, 2018.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

**CYPRESS DEVELOPMENT CORP.**  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Unaudited - Expressed in Canadian Dollars)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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**2. BASIS OF PREPARATION (cont'd...)**

**Critical Accounting Estimates & Judgments**

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- ii) The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.
- iii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.
- iv) Share-based payment. The fair value of share-based payment is determined using a Black-Scholes option pricing model. Such option pricing models require the input of subjective assumptions.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, Cypress Holdings (Nevada) Ltd., a company incorporated in the United States. All significant inter-company transactions and balances have been eliminated upon consolidation.

**Foreign currency translation**

The presentation and functional currency of the Company and its subsidiary is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at rates approximating those in effect at the time of the transactions. Monetary items are translated at the exchange rate in effect at the statement of financial position date and non-monetary items are translated at historical exchange rates. Translation gains and losses are reflected in the consolidated statements of loss and comprehensive loss for the period.

**CYPRESS DEVELOPMENT CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****Exploration and evaluation assets**

Costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property until the determination of technical feasibility and commercial viability. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets after assessing the property for impairment by comparing the carrying amount to its recoverable amount, and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned, an impairment is recorded on the property.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

**Property and equipment**

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. Amortization of leasehold improvements is recognized using the straight-line method over the term of the lease. Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to items of property and equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

**Subsequent costs**

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as mining assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized mining assets generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves, and are accumulated on mineral property or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

**Capital stock**

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

Proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to common share purchase warrants.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Provision for environmental rehabilitation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

**Share-based compensation**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

**CYPRESS DEVELOPMENT CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****Share-based compensation (cont'd...)**

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. A corresponding increase in reserves is recorded when stock options are expensed. When stock options are exercised, capital stock is credited by the sum of the consideration paid and the related portion of share-based compensation previously recorded in reserves. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

**Flow-through common shares**

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The Company records a deferred tax liability and a reduction in capital stock for the estimated tax benefits transferred to shareholders. When the Company renounces flow-through expenditures, a portion of the Company's deferred tax assets that were not recognized in previous years, will be recognized as a recovery of deferred taxes in the statement of loss and comprehensive loss.

**Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**CYPRESS DEVELOPMENT CORP.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Loss per share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**Financial instruments**

*IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged.

The following is the new accounting policy for financial assets under IFRS 9:

*Financial assets*

The Company will now classify its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

*Financial assets at FVTPL:* Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of (loss) income in the period.

*Financial assets at FVTOCI:* Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in which they arise.

*Financial assets at amortized cost:* A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

**CYPRESS DEVELOPMENT CORP.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments (cont'd...)**

*Impairment of financial assets at amortized cost:* The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

The following table shows the classification of the Company's financial assets under IFRS 9:

Financial instruments	IFRS 9 Classification
Cash	FVTPL
Receivables	Amortized cost
Marketable securities (excluding warrants)	FVTPL
Accounts payable and accrued liabilities	Amortized cost

**Financial instrument disclosures**

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 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 for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has classified its cash and marketable securities as fair value through profit and loss. The Company's receivables, due from related party and accounts payable and accrued liabilities are recorded at amortized cost.

**New accounting standards and interpretations**

Certain new standards, interpretations and amendments to existing have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2018, or later periods. Updates that are not applicable or are not consequential to the Company have been excluded in the standards listed below.

**CYPRESS DEVELOPMENT CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****New accounting standards and interpretations (cont'd...)***IFRS 16 Leases*

IFRS 16 Leases replaces IAS 17 – Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019, with earlier adoption permitted.

The Company anticipates that the application of this standard, amendments, revisions and interpretations will not have a material impact on the results and financial position of the Company.

**4. MARKETABLE SECURITIES**

The Company holds securities that have been designated as fair value through profit or loss:

	September 30, 2019	December 31, 2018
Opening balance	\$ 34,000	\$ 42,000
Additions	6,000	17,000
Unrealized loss	(22,000)	(25,000)
Total	\$ 18,000	\$ 34,000

Marketable securities at September 30, 2019 consist of 600,000 (December 31, 2018 - 400,000) Pasinex Resources Limited shares. (Note 7).

An unrealized loss on marketable securities of \$22,000 was recorded in the condensed consolidated interim statements of comprehensive loss for the period ended September 30, 2019. (September 30, 2018 - \$22,000 unrealized loss)

**CYPRESS DEVELOPMENT CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

**5. RECEIVABLES AND PREPAID EXPENSES**

The Company's receivables and prepaid expenses arise from two main sources, goods and services tax ("GST") and prepaid expenses. These are broken down as follows:

	September 30, 2019	December 31, 2018
GST receivable	\$ 17,534	\$ 22,789
Prepayments - insurance	4,223	2,602
Prepayments - other	25,128	78,687
Prepayments - shareholder communications	72,333	92,851
<b>Total</b>	<b>\$ 119,218</b>	<b>\$ 196,929</b>

**6. PROPERTY AND EQUIPMENT**

	Leasehold Improvements
<b>Cost</b>	
<b>Balance, December 31, 2017 and 2018 and September 30, 2019</b>	<b>\$ 19,850</b>
<b>Accumulated depreciation</b>	
Balance, December 31, 2017	\$ 14,887
Depreciation	<u>3,308</u>
<b>Balance, December 31, 2018 and September 30, 2019</b>	<b>\$ 18,195</b>
<b>Carrying amounts</b>	
As at December 31, 2018	\$ 1,655
As at September 30, 2019	<u>\$ 1,655</u>

**CYPRESS DEVELOPMENT CORP.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

**7. EXPLORATION AND EVALUATION ASSETS**

<b>September 30, 2019 - 9 months</b>	Nevada, USA Total
<b>Acquisition costs:</b>	
Balance, beginning of period	\$ 371,612
Additions	255,177
Option payments received	<u>(6,000)</u>
Balance, end of period	<u>620,789</u>
<b>Exploration costs:</b>	
Incurring during the period	
Accommodation/food	41,685
Advances	54,532
Assaying/sampling	89,579
Consultants & engineer	647,962
Demobilization/mobilization	7,003
Drilling	126,953
Dues/fees/permits	126,671
Equipment rentals/storage	3,197
Fuel/mileage	22,152
Lab work/resource estimate/reports	28,005
Office/miscellaneous	5,328
Supplies/maintenance	14,480
Transportation	2,340
Travel/airfare	29,804
Wages/contract work	<u>7,990</u>
	1,207,681
Balance, beginning of period	<u>1,794,589</u>
Balance, end of period	<u>3,002,270</u>
<b>Total costs</b>	<u>\$ 3,623,059</u>

**CYPRESS DEVELOPMENT CORP.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

<b>December 31, 2018 - 12 months</b>	Nevada, USA Total
<b>Acquisition costs:</b>	
Balance, beginning of year	\$ 24,214
Additions	494,145
Option payments received	<u>(146,747)</u>
Balance, end of year	<u>371,612</u>
<b>Exploration costs:</b>	
Incurring during the year	
Accommodation/food	24,030
Advances	(27,628)
Aerial survey	17,356
Assaying/sampling	52,242
Consulting	356,429
Drilling	92,460
Dues/fees/permits	5,639
Equipment rentals/storage	1,245
Fuel/mileage	21,236
Lab work/resource estimate/reports	198,938
Office/miscellaneous	3,376
Supplies/maintenance	35,028
Transportation	1,303
Travel/airfare	11,765
Wages/contract work	<u>17,084</u>
	810,503
Balance, beginning of year	<u>984,086</u>
Balance, end of year	<u>1,794,589</u>
<b>Total costs</b>	<u>\$2,166,201</u>

**CYPRESS DEVELOPMENT CORP.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Title to mineral properties**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge; title to all of its properties is in good standing.

**USA Claims**

*Alkali Springs Valley, Nevada, USA*

On November 6, 2018, the Company entered into an option agreement to acquire the exclusive right and option to acquire a fifty percent (50%) undivided legal and beneficial interest in the property and the water rights application free and clear of all liens, charges and claims of others. To earn a 50% undivided interest, the Company is required to make a US\$50,000 payment (paid \$66,007) within seven business days of approval, it being understood and agreed by the parties that these funds will be expended by the optionor to pay all outstanding fees pertaining to the claims which comprise the property and all other expenses relating to the property and the water rights application, issue 300,000 common shares of the Company (150,000 common shares issued at a fair value of \$31,500 and 150,000 due for issue on November 6, 2019) and incur US\$450,000 in expenditures over the two year term of the option agreement (\$200,000 to be incurred by November 6, 2019 and \$250,000 by November 6, 2020). A total of \$102,371 has been capitalized to the property as at September 30, 2019.

During the current period, the Company terminated the option agreement with Dajin Resources Corp.

*White Pine Claims, Nevada, USA*

The Company has a 100% interest in certain claims located in White Pine County, Nevada. The Company incurred and capitalized \$121,191 in deferred exploration expenditures as at September 30, 2019, net of \$320,432 received in option payments. The property is subject to a 2% NSR.

The Company entered into an option agreement on March 23, 2017 which provides the optionee (Caliber Minerals Inc. formerly Silcom Systems Inc.) with an earn-in option to acquire an initial 51% interest in the property. Under the agreement, the optionee was required to issue 1,500,000 listed common shares, make cash payments of US\$300,000 (US\$50,000 received) and incur exploration expenditures totaling US\$1,850,000 over the three year term of the first agreement.

The Company has granted the optionee a second option to acquire an additional 29% interest by issuing 500,000 listed common shares and making a cash payment of US\$250,000 within 90 days of satisfying and exercising the first option and incurring additional exploration expenditures totaling US\$1,100,000 within 12 months.

Upon completion of the second option, issuance of all the shares and cash payments and completion of all work commitments, the optionee shall have earned an 80% interest in the property, subject to an underlying 2% net royalty interest.

**CYPRESS DEVELOPMENT CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)****USA Claims (cont'd...)***White Pine Claims, Nevada, USA (cont'd...)*

On December 5, 2017, the Company entered into an option agreement with Pasinex Resources Limited (through its wholly-owned subsidiary Pasinex Resources Nevada Limited) ("Pasinex"), whereby Caliber Minerals Inc. transferred their previous option to Pasinex to earn up to an 80% interest in the property.

To acquire an initial 51% interest in the property, Pasinex is required to issue 600,000 listed common shares and make cash payments of US\$200,000 to the Company and incur exploration expenditures totaling US\$1,850,000 over the three year term of the first agreement.

The Company has granted the optionee a second option to acquire an additional 29% interest by issuing 200,000 listed common shares and making a cash payment of US\$250,000 after satisfying and exercising the first option and incurring additional exploration expenditures totaling US\$1,100,000 within 12 months.

Upon completion of the second option, issuance of all the shares and cash payments and completion of all work commitments, the optionee shall have earned an 80% interest in the property, subject to an underlying 2% net royalty interest.

As at September 30, 2019, the Company received 600,000 shares valued at \$18,000 (December 31, 2018 - \$34,000). (Note 4)

Pasinex is required to make the following cash payments and share issuances to the Company:

Due Date	Cash Payments	Share Issuances	Expenditure Commitments
No later than December 11, 2019 *	US\$100,000	200,000	-
Within 90 days of exercise of 1 <sup>st</sup> option	US\$250,000	200,000	-
By December 5, 2019 **	-	-	US\$800,000
By December 5, 2020 **	-	-	US\$800,000
Receipt of a feasibility report recommending within 90 days of exercise of 1 <sup>st</sup> option	-	-	US\$1,100,000
<b>Total</b>	<b>US\$350,000</b>	<b>400,000</b>	<b>US\$2,700,000</b>

The Company has agreed to extend the terms of the 2017 earn-in option agreement with Pasinex Resources Limited and Caliber Minerals Inc. as follows:

\* Cash payment of US\$100,000 extended from September 11, 2019 to December 11, 2019

\*\* Expenditure commitments totaling US\$1,600,000 by December 5, 2020

**CYPRESS DEVELOPMENT CORP.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**USA Claims (cont'd...)**

*Glory Lithium Project, Clayton Valley, Nevada, USA*

During fiscal 2016, the Company entered into an option agreement to acquire a 100% interest in the Glory Lithium Project in Clayton Valley, in the state of Nevada, USA. To earn a 100% interest, the Company is required to make US\$162,500 in cash payments \$212,357 (US\$162,500) paid and issue 1,100,000 shares of the Company (1,100,000 common shares issued at a fair value of \$175,000) over the four year term of the option agreement. The optionor will retain a 3% NSR with the Company having the right to purchase 2% of the NSR for US\$1,000,000. After entering into the option agreement, the optionor became a director of the Company.

On August 22, 2016, the Company entered into an agreement with Pure Energy to option-out the right to acquire up to a 70% undivided interest in 76 lithium placer claims. The Company issued 270,576 shares with a fair value of \$35,175 as finder's fees.

In order to fully exercise the two-stage option, Pure Energy is to required make the following cash and share payments and associated exploration expenditures on the property:

To acquire a 51% undivided interest:

- Cash and share payments of \$98,753 (US\$75,000) and 350,000 (valued at \$290,500) shares within five business days of the date of TSX-Venture Exchange acceptance for the agreement; (received cash and shares)
- Exploration expenditures of at least US \$300,000 before the first anniversary;
- Cash and share payments of US \$100,000 and 750,000 shares on or before the first anniversary;
- Additional exploration expenditures of US \$500,000 before the second anniversary;

To acquire a further 19% interest:

- An additional 1,000,000 shares and US \$1,000,000 in exploration expenditures before the fourth anniversary.

The underlying option includes a provision for a 3% NSR. The parties have acknowledged in the agreement that Cypress will be responsible for meeting the share and cash requirements of that underlying option agreement. Under the option agreement, Cypress will act as project manager on the claims for the first year's exploration program.

Upon completion of one or both of the options, the parties shall enter into a joint venture agreement for the further exploration of the property, and the optionee shall serve as operator.

On August 24, 2017, Pure Energy provided written notification to terminate the option agreement.

As at September 30, 2019, the Company incurred \$2,358,007 net in exploration expenditures and acquisition costs.

*Dean, Clayton Valley, Nevada, USA*

In September 2016, the Company entered into an option agreement to acquire a 100% interest in 35 lithium placer claims located in southern Clayton Valley, Nevada, USA. To earn a 100% interest, the Company is required to make US\$140,000 in cash payments (\$181,946 (US\$140,000) paid) and issue 1,050,000 shares of the Company (1,050,000 common shares issued at a fair value of \$191,250) over the three year term of the option agreement. The optionor will retain a 3% NSR with the Company having the right to purchase 2% of the NSR for US\$1,000,000. As at September 30, 2019, the Company incurred \$1,047,490 in acquisition costs and exploration expenditures on the property. After entering into the option agreement, the optionor became a director of the Company.

**CYPRESS DEVELOPMENT CORP.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Reclamation Bonds, Nevada, USA**

As at September 30, 2019, the Company held reclamation bonds with respect to the Nevada, USA properties of \$41,774 (December 31, 2018 - \$41,774). During fiscal 2018, the Company wrote-off reclamation bonds of \$8,059 associated with old properties the Company is no longer exploring.

**8. CAPITAL STOCK**

**Authorized**

An unlimited number of common shares without par value.

**Private Placements**

During the current period, the Company entered into the following private placement:

On August 7, 2019, the Company issued 6,114,888 units at a price of \$0.18 per unit for gross proceeds of \$1,100,680. Each unit consists of one common share and one transferable share purchase warrant, with each warrant entitling the holder to purchase one additional common share of the Company for a period of up to twenty-four months at a price of \$0.22.

In addition, the Company has paid finder's fees totaling \$20,475 and issued an aggregate 113,750 finders' warrants to arm's-length parties. Each finders' warrant is exercisable into one common share for a period of up to twenty-four months at a price of \$0.22.

During fiscal 2018, the Company entered into the following private placement:

On October 26, 2018, the Company completed a private placement to raise \$2,010,647 by the issuance of 9,139,300 units at a price of \$0.22 per unit. Each unit consists of one common share and one non-transferable share purchase warrant, with each share purchase warrant entitling the holder to purchase one common share for a period of three years at a price of \$0.33 per share. The warrants were valued at \$Nil using the residual value approach. In connection with the financing, the Company paid finders' fees of \$49,665 and issued an aggregate 225,750 finder warrants on the same terms as the subscription warrants. The Company incurred additional issuance costs of \$10,635 associated with the private placement.

The 225,750 finders' warrants were valued at \$35,818 using the Black-Scholes option pricing model using a weighted average estimated life of 3 years, volatility of 119.64%, dividend rate of 0% and risk free interest rate of 2.27%.

The weighted average fair value of each finders' warrant was \$0.1587.

**CYPRESS DEVELOPMENT CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**9. RESERVES**

The Company has a stock option plan in place under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding common stock of the Company. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the board.

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2017	19,330,373	\$ 0.13	5,024,000	\$ 0.12
Additions	9,365,050	0.33	2,650,000	0.22
Exercised	(7,054,333)	0.13	(555,000)	0.13
Expired/cancelled	<u>(200,000)</u>	0.15	<u>-</u>	-
Outstanding and Exercisable, December 31, 2018	21,441,090	0.21	7,119,000	0.16
Additions	6,228,638	0.22	1,550,000	0.18
Exercised	<u>(3,505,000)</u>	0.13	<u>(585,000)</u>	0.08
Outstanding and Exercisable, September 30, 2019	24,164,728	\$ 0.23	8,084,000	\$ 0.17

The following incentive stock options and share purchase warrants were outstanding at September 30, 2019:

	Number of Shares	Exercise Price	Expiry Date
<b>Stock options:</b>	1,245,000	\$ 0.080	April 11, 2021
	934,000	\$ 0.105	December 30, 2021
	230,000	\$ 0.100	July 18, 2022
	1,475,000	\$ 0.180	October 27, 2022
	2,600,000	\$ 0.220	November 2, 2023
	50,000	\$ 0.220	November 28, 2023
	1,550,000	\$ 0.180	August 13, 2024
<b>Warrants:</b>	370,000	\$ 0.070	July 9, 2020
	569,500	\$ 0.055	March 21, 2021
	120,000	\$ 0.055	March 30, 2021
	2,230,500	\$ 0.125	December 23, 2019
	5,281,040	\$ 0.130	October 17, 2019 <sup>(1)</sup>
	6,228,638	\$ 0.220	August 7, 2021
	9,365,050	\$ 0.330	October 26, 2021

(1) Subsequent to September 30, 2019, a portion of these warrants were exercised (Note 15).

**CYPRESS DEVELOPMENT CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

**9. RESERVES (cont'd...)****Share-based compensation**

During the period ended September 30, 2019, the Company granted 1,550,000 (September 30, 2018 – nil) options to consultants, officers and directors. Accordingly, using the Black-Scholes option pricing model, the stock options are recorded at fair value in the statement of loss and comprehensive loss. Total share-based compensation recognized in the statement of loss and comprehensive loss for options granted and vested was \$240,871 (September 30, 2018 - \$Nil) and the weighted average fair value of each option granted was \$.1554 (September 30, 2018 - \$Nil). This amount was also recorded to reserves on the statement of financial position.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the periods ended September 30, 2019 and 2018:

	September 30, 2019	September 30, 2018
Risk-free interest rate	1.24%	-
Expected life	5 years	-
Annualized volatility	141.40%	-
Estimated forfeiture rate	-	-
Dividend rate	-	-

**10. RELATED PARTY TRANSACTIONS**

The aggregate amount of expenditures paid or payable to key management personnel consisting of directors, former directors or companies with common directors was as follows:

	September 30, 2019	September 30, 2018
	9 months	9 months
Charged to profit and loss for consulting fees	\$ 166,570	\$ 189,996
Capitalized to exploration and evaluation assets	97,656	85,901
Share-based payments	109,558	-
Total expense	\$ 373,784	\$ 275,897

*Administrative agreement*

The Company operates from the premises of a private company owned by a director provides office and administrative services to the Company and various other public companies on a short-term contract basis. The private company incurs costs which are reimbursed by the Company.

**CYPRESS DEVELOPMENT CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**10. RELATED PARTY TRANSACTIONS (cont'd...)**

Included in due from related party at September 30, 2019 is \$Nil (December 31, 2018 - \$6,515) due from the private company.

Included in accounts payable at September 30, 2019 is \$40,061 (December 31, 2018 - \$102,578) due to directors and/or their companies.

Included in due to related party at September 30, 2019 is \$3,499 (December 31, 2018 - \$Nil) due to the private company.

**11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

	September 30, 2019 <i>9 months</i>	September 30, 2018 <i>9 months</i>
Cash received during the period for interest	\$ 5,526	\$ 4,255
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

Significant non-cash transactions during the period ended September 30, 2019 were as follows:

- Issued 550,000 common shares valued at \$88,750 for exploration and evaluation assets.
- Issued 160,315 common shares valued at \$24,304 for consulting fees.
- Incurred exploration and evaluation asset expenditures of \$66,417 through accounts payable and accrued liabilities.

Significant non-cash transactions during the period ended September 30, 2018 were as follows:

- Issued 500,000 common shares valued at \$171,250 for exploration and evaluation assets.
- Issued 94,694 common shares valued at \$23,674 for consulting fees.
- Incurred exploration and evaluation asset expenditures of \$47,134 through accounts payable and accrued liabilities.

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**12. SEGMENTED INFORMATION**

The Company's one reportable operating segment is the acquisition and exploration of mineral properties. The Company's non-current assets by geographic area are as follows:

	September 30, 2019	December 31, 2018
Canada	\$ 1,655	\$ 1,655
USA	<u>3,664,833</u>	<u>2,207,975</u>
	<u>\$ 3,666,488</u>	<u>\$ 2,209,630</u>

**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted market prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, and are based in valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Cash and marketable securities are carried at fair value using a Level 1 fair value measurement. The carrying value of receivables, due from related parties and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

**Financial risk factors**

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 associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because these instruments are due primarily from government agencies.

**CYPRESS DEVELOPMENT CORP.**

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**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

**Financial risk factors (cont'd...)**

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at September 30, 2019, the Company had a cash balance of \$969,861 (December 31, 2018 - \$1,625,701) to settle current liabilities of \$123,390 (December 31, 2018 - \$154,320). All of the Company's financial liabilities are subject to normal trade terms.

*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 commodity and equity prices. These fluctuations may be significant.

(a) Interest rate risk

The Company has cash balances held with financial institutions. The Company's current policy is to invest excess cash in guaranteed investment certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. In addition to cash and interest-bearing deposits with banks of \$868,936 as of September 30, 2019 (December 31, 2018 - \$1,625,701), the Company has \$100,000 (December 31, 2018 - \$Nil) in interest-bearing investment-grade guaranteed investment certificates with accrued interest of \$925 (December 31, 2018 - \$Nil). A 1% change in interest rates would have an effect of \$1,000 (December 31, 2018 - \$Nil) on interest income.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in United States Dollars. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. In addition to cash in US bank accounts of \$70,684 as of September 30, 2019 (December 31, 2018 - \$31,981), the Company has \$99,865 (December 31, 2018 - \$126,008) in liabilities to US payees. A 1% change in foreign exchange rates would have an effect of \$292 (December 31, 2018 - \$940) on foreign currency.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

**CYPRESS DEVELOPMENT CORP.**

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**14. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as shareholders' equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

**15. SUBSEQUENT EVENT**

**Exercise of Warrants**

Subsequent to September 30, 2019, 4,838,070 warrants were exercised for gross proceeds of \$628,949.